# Petition

81-740

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# In the
# Supreme Court of the United States

OCTOBER TERM, 1981

HENNESSY INDUSTRIES, INC., a Delaware corporation,

*Petitioner,*

*vs.*

B & J MANUFACTURING COMPANY, an Illinois corporation,

*Respondent.*

## PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

JAMES C. WOOD
20 No. Wacker Drive
Chicago, Illinois 60606
Tel. 312-346-1630
*Attorney for Petitioner.*

*Of Counsel*:
WILLIAM A. VANSANTEN
WEGNER, STELLMAN, MCCORD,
WOOD & DALTON
20 No. Wacker Drive
Chicago, Illinois 60606

The Scheffer Press, Inc.—(312) 263-6850

## QUESTIONS PRESENTED

Petitioner requests this Court to resolve the conflicts among the various circuits as to the following questions:

1. Should a patent licensee, that is properly and diligently contesting the validity of a United States Patent before the United States District Court, suffer cancellation of its license agreement with respect to the invention embodied in the patent for a technical and speculative breach of that license agreement during the pendency of the action?

2. May the courts enforce a royalty agreement with respect to an invention embodied in a United States Patent while the licensee is challenging its validity or does the "challenge rule" temporarily free the licensee from the constraints of the license to better promote the federal policy of encouraging challenges to questionable patents and an early adjudication of disputes?

3. Doesn't the public policy proclaimed in *Lear* v. *Adkins* preclude the assertion of contractual barriers to a licensee's challenge of the validity of licensed patents, including a barrier based on a patent marking requirement where the licensee is challenging the applicability of the patent to its product?

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# PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

Petitioner, Hennessy Industries, Inc., respectfully prays that a Writ of Certiorari issue to review the opinion and judgment of the United States Court of Appeals for the Seventh Circuit entered on August 3, 1981.

## OPINIONS BELOW

The opinion of the Court of Appeals was unpublished in accordance with Circuit Rule 35, and is set out in the appendix at page 3a-6a.

The opinion of the United States District Court for the Northern District of Illinois in the action on which Appeal Nos. 80-1357 and 1423 were based, is reported at 403 F.Supp. 1105, and is printed in the appendix hereto beginning at page 12a et. seq.

The judgment of the District Court was modified by its order printed in the appendix at page 7a-11a.

## JURISDICTION

The judgment of the Court of Appeals was rendered August 3, 1981, and Petition for Rehearing was denied September 11, 1981. (App. 2a) This petition is filed within 90 days of the denial of the Petition for Rehearing. Jurisdiction of this court is invoked under 28 USC §1254(1).

## STATEMENT OF THE CASE

### The Salient Fact

The one salient fact that brings Hennessy to this Court is the fact that Hennessy, while a licensee under certain B & J patent rights, elected to challenge those patent rights pursuant to the public policy, proclaimed in *Lear* v. *Adkins,* that protects a licensee from license termination. But in spite of the mandate of this Court's *Lear* holding that public policy protects the licensee during the challenge, the District Court and the Court of Appeals for the Seventh Circuit held a forfeiture of Hennessy's license.

One affirmative action which Hennessy took to trigger the application of the "challenge" rule, to perfect its entitlement to challenge the B & J patents and to withhold royalties was the removal of the B & J patent numbers from the licensed product. This, it appeared, was mandated by the Seventh Circuit case law at the time.

However, this affirmative act of challenge by the licensee has been held by the Seventh Circuit to lay

Hennessy bare of its license shield and effectively preclude a challenge to patent validity by a patent licensee.

### The License History

Hennessy took its patent license under an Agreement of June 1, 1971 (App. 88a-97a). Thereafter Hennessy commenced putting the licensed automobile tire inflators on its new tire changers. Section VI of that license agreement stated that licensed products should bear a notice as to patent markings and Hennessy complied. (App. 92a).

Section III of the B & J-Hennessy license agreement provided for a royalty of four dollars for each Tire Mounting Machine sold and further provided that the license was free of royalty and shall continue for the life of the patent when the royalties paid totalled $150,000.00.

As of September 14, 1974 the accused royalties under the License Agreement were in excess of the $150,000.00 necessary to render the license paid up, royalty free and continuing for the life of the patent rights (App. 61a).[1]

### The History of This Action

A dispute as to the scope of the license ensued and, claiming a breach of the agreement, B & J refused Hennessy's further tender of royalties. On August 23, 1973 B & J initiated this civil action. The complaint charged that Hennessy was infringing the patent rights covered by the June, 1971 agreement. Hennessy's answer and declaratory judgment counterclaim filed October 2, 1973, challenged the validity of the patents, denied infringement based in part on the doctrine of file wrapper estoppel, and pleaded, as its Third Affirmative Defense, the license agreement of June 1, 1971. (App. 77a-78a) On November 27, 1973 Hennessy responded to B & J's Interrogatory 25 stating that "for strictly business considerations of immunity from suit —" Hennessy had, in the past paid royalties in spite of its belief that the patents were invalid and not infringed.

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[1] While B & J refused to accept these royalty payments in the early 1970's, pursuant to the judgment in this case, the royalties, aggregating $150,000.00, will be payable and will be tendered.

Subsequently, and during the pendency of this civil action, Hennessy discontinued marking the B & J patent numbers on the tire changer apparatus that it was making. In so doing it relied upon advice of counsel that even though Hennessy, as a licensee, was challenging the B & J patents and even though a licensee had the legal right to assume the dual role of licensee and challenger, Hennessy should forego further use of the B & J patent marking to avoid a "marking estoppel". Under the decisions of the Seventh Circuit such estoppel would have made Hennessy liable for the royalty payments under the June, 1971 agreement, irrespective of the outcome of its challenge to the validity and infringement of the patents. The challenge to validity and infringement was brought by Hennessy in good faith and with a justifiable belief in its position on the merits. This good faith was specifically found by the District Court and affirmed by the Court of Appeals. (App. 71a-72a; 6a)

However, when B & J became aware of the omission of the B & J patent number marking from the Hennessy apparatus manufactured during the pendency of this action, B & J formally charged that such omission constituted another breach of the license agreement, specifically Section VI.

## Non-Marking; The Sole Basis for the District Court's Finding of License Forfeiture

Following the trial of the action in February, 1979, the District Court found the patents valid, refused to find a file wrapper estoppel and thus found that the patents were infringed. The Court also specifically found that the actions giving rise to the dispute did not constitute any breach or violation of the terms of the license agreement prior to the initiation of this action. (App. 57-58a) Thus, that license agreement continued in full force and effect after this action was initiated and after October 2, 1973 when Hennessy filed its Answer and Counterclaim, thus raising the challenge to the validity and infringement of the B & J patents and relying on the June 1, 1971 license in denying any infringement.

Therefore, Hennessy assumed precisely the position endorsed by this Court in *Lear* v. *Adkins*, namely, a licensee, maintaining its position of licensee, while protecting its interest and the public interest by challenging the validity of the licensed patent rights.

Hennessy was a challenging licensee once the "challenge rule" was triggered by Hennessy's affirmative acts and pleadings. The decision of the licensee to omit the B & J patent numbers required under Section VI of the agreement, like a termination of the payment of royalties required under Section I of the agreement, was an affirmative act sufficient to trigger the application of the "challenge" rule. Neither should form a basis for denying the challenging licensee its rights under the license once the challenge is resolved, nor cause a forfeiture of the license.

Notwithstanding, the District Court found that omission of the B & J patent marking — even though done to avoid the doctrine of marking estoppel—was a breach of the agreement. This breach, manifestly less significant than the withholding of royalties, resulted in a finding that the Hennessy license was terminated on September 14, 1974 during the pendency of this litigation. The license termination resulted in laying the licensee bare and vulnerable to the inhibiting and debilitating effects of license termination should he dare to challenge the validity of patents that it believes are bad.

The District Court apparently recognized the fact that its termination finding would debilitate the public policy of protecting challenging licenses established by this Court in *Lear* v. *Adkins*. The District Court stated that Hennessy's investment would not be lost since B & J had indicated a willingness to license at rates it had granted to others. (App. 70a) The history of this case since the decisions of the Court below show beyond peradventure that the protection of the license of the challenging licensee is essential to the implementation of the *Lear* public policy. (App. 98a et seq.) Reliance on the expressions of a patent owner of a "willingness" to grant a new license merely encourages further conflict and litigation.

## The Court of Appeals Decision

The Court of Appeals for the Seventh Circuit affirmed the District Court in all respects with an unpublished decision pursuant to Circuit Rule 35. This decision specifically allows the forfeiture of the license to stand based on removal of the patent marking during the litigation. A petition for rehearing was denied and injunctive relief affirmed. The mandate has been stayed for thirty days to allow time to file this Petition.

## REASONS FOR GRANTING THE WRIT

### Forebearance of Contract Enforcement

In *Lear* v. *Adkins,* 395 U.S. 653 (1969) this Court proclaimed a federal policy which transcends usual contract principles to permit licensees to challenge patent validity. *Lear Inc.* v. *Adkins,* 395 U.S. 653, 670-71 (1969). This Court observed:

> "Licensees may often be the only individuals with enough economic incentive to challenge the patentability of an inventor's discovery. If they are muzzled, the public may continually be required to pay tribute to would-be monopolists without need or justification. We think it plain that *the technical requirements of contract doctrine must give way before the demands of the public interest* in the typical situation involving the negotiaton of a license after a patent has issued."[2]

Since *Lear* the several circuits have differed dramatically in deciding what will effectively "muzzle" the licensee and thus prevent or discourage the implementation of the public policy proclaimed by this Court. One major concern spread through the post-*Lear* cases has been with respect to when the "entitlement" to royalties payable under the contract terms of the license agreement passes to the licensee in spite of the still viable and extant terms of the license agerement. The courts have developed and discussed at great length the "ab initio" rule, the "renunciation" rule, the "challenge" rule and the "eviction" rule in trying to apply the *Lear* public policy to real situations. The Central District of

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[2] Emphasis added throughout unless the contrary is indicated.

Illinois struggled with the problem at length. *Precision Shooting Equipment Inc.* v. *Allen,* 492 F.Supp. 79, 84-86, 205 USPQ 1142, 1146, 1147 (C.D. Ill. 1980).

On April 7, 1981 the Seventh Circuit handed down an affirmance in *Precision Shooting Equipment,* 646 F.2d 313, 320-21, 210 USPQ 184, 190 (7 Cir. 1981.)[3] That decision poignantly delineates the dilemma that Hennessy faced in 1974. Morever, as of 1981, the decision provides no answer for the licensee that wishes to challenge validity in the Seventh Circuit. The Court states:

> "Allen urges here that we adopt the 'renunciation' rule which would entitle the patentee to recover all royalties so long as the licensee continues to mark its product and fails to renounce the license."
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> * * * *
>
> "The renunciation rule requires the licensee to prejudge validity, *stop marking and paying royalties, and create a breach of the license.* The licensee thereby assumes the risk that the patent may be valid. If his prejudgment turns out to be incorrect, he has presented the patentee with the option of rescinding the license and suing for infringement damages, which might exceed the royalties, or suing under the license for the royalties. Deliberately giving the patentee those options might be a risk a cautious licensee would not care to assume. A licensee might well decide that business disruption, time, expense, and possible liability were not worth the risk, and would thereafter continue to go along paying the agreed to royalties without questioning validity. That approach does not foster the policy teachings of Lear."

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[3] Petition for Writ of Certiorari, pending Supreme Court case No. 81-5.

So in the Seventh Circuit the challenging licensee is faced only with frustration. In the ***Precision Shooting Equipment*** case, the licensor Allen also sought to have the "eviction" rule apply entitling the licensor to receive and keep all royalties prior to a final adjudication. The Seventh Circuit, 646 F.2d at 321, said:

> "Allen argues, however, that the public policy in Lear would not be frustrated in a situation where Bear could keep its license pendente lite by escrowing royalties on the products which it does not choose to mark, but would be required to pay Allen royalties for products it did mark."
>
> * * * *
>
> "Allen claims that utilizing that possibility would require Bear to pay royalties only for the privilege of publicly claiming the protection of the patent it alleges is invalid. However, it increases the licensee's risk of a damage suit if the litigation results in an unfavorable invalidity finding. We see no advantage to that narrow and uncertain course."

The need for guidance by this Court is apparent.

As will appear below, while the Second Circuit has followed the "eviction" rule, Courts of Appeals for the Sixth and Ninth Circuits have come down quite clearly in applying the "challenge" rule. That is, the enforcement of the contract terms of a license agreement will be stayed from the date the licensee "challenges" the validity of the patent until the issues are resolved.

Unfortunately the Seventh Circuit has until now avoided the issue by taking pragmatic, ad hoc routes to resolve the cases that were before it. In the ***Precision Shooting Equipment*** case, 492 F.Supp. at 84-85, the District Court observed:

> "It is clear, in the Sixth Circuit, that as a general proposition Bear, if it was successful in its challenge, would be able to recover all license royalties accruing after the date of Bear's intervention as a plaintiff. A similar result would obtain in the Ninth Circuit. St. Regis Paper Co. v. Royal Industries, 552, F.2d 309, 313-14, 194 USPQ 52 56-57 (9th. Cir. 1977). The Court of Appeals for the Seventh Circuit, however, has not made a definitive statement in this area of the law and whether that court will adopt the 'challenge" rule of Troxel and Atlas is yet to be learned."

On appeal, the Seventh Circuit merely required that the royalties accruing after the "challenge" be placed in escrow leaving open the issue of license contract enforcement during pendency of the litigation.

In the instant case the Seventh Circuit seems to have gone in a direction diametrically opposed to the other circuits. The court has held that Hennessy, to its economic detriment because of marking estoppel, was nevertheless required to comply with the patent marking requirements of Section VI of the license agreement. Thus, contrary to the proclamation of *Lear*, and the decisions of the other circuits, the Seventh Circuit has held that the licensee must, while challenging the patent, satisfy the contract requirement of patent marking. Hennessy's election to omit the marking to avoid an estoppel has, according to the Seventh Circuit, resulted in a forfeiture of the license agreement as of September 14, 1974. This forfeiture conflicts with the law of other circuits and is the result of a failure to recognize the clear proclamation of this Court's *Lear* decision.

The chaotic result of conflicts in the interpretation of *Lear*, was characterized by McCarthy in "*Unmuzzling*" *the Patent Licensee*: *Chaos in the Wake of Lear* v. *Adkins*, 45 Geo. Wash. L.Rev. 429, 431 (1977):

> "When the Supreme Court in Lear expressed the public policy of encouraging licensees to challenge patents, the lower courts saddled up and went charging off in several different directions. The 'spirit of Lear' became the battle cry of all patent licensees every time any rule of law came between a licensee and its desire to challenge a patent * * * * Although an academic observer might characterize post-Lear developments as 'evolutionary,' the contrary positions taken by various courts is truly 'chaotic' to the practitioner who must draft a patent license, plan litigation strategy or recommend a licensee whether or not to pay royalties."

Ceasing payment of royalties, removing the patent marking, or the initiation of a civil action by the licensee are now recognized in various circuits as "triggering" events which suspend enforcement of the license contract. They should not form a basis on which the licensor can hold the licensee's right to the a license forfeited.

In the Seventh Circuit case *Kraly* v. *National Distillers*, 319 F.Supp. 1349 (N.D. Ill. 1970), National, while it continued to mark its product, was held estopped and liable for royalties. However, when National stopped marking, as the District Court in *Precision Shooting*, 492 F.Supp. at 86 pointed out:

> "At about the same time, some three months later, the licensee stopped marking its product with the patent number. See Kraly v. National Distillers and Chemical Corp., 319 F.Supp. 1349, 168 USPQ 51 (N.D. Ill. 1970). So the decision of the licensee to stop marking its product virtually coincided with the challenge defense and was the first affirmative action sufficient to trigger the application of the 'challenge' rule. See McCarthy, 'Unmuzzling' the

> the Patent Licensee: Chaos in the Wake of Lear v. Adkins, 45 Geo. Wash. L. Rev. 429, 452-53 (1977)."

This Court should now make it clear that the elimination of patent marking by a licensee who is challenging the validity and infringement of the patents is justified to avoid marking estoppel and such omission during challenge can form no basis for the termination of the agreement.

**The Cases And The Circuits Are In Disagreement**

The Seventh Circuit in *USM Corporation* v. *Standard Pressed Steel Co.*, 524 F2d 1097 (7 Cir. 1975) was faced with a motion for a temporary injunction against license termination in which the licensor argued that the licensee should either pay the royalties during the litigation or elect not to pay and suffer the agreement to be terminated (at p. 1098). After posing the question, the Court of Appeals stated:

> "We do not find a clear answer to the issues tendered by the licensee either in *Lear* or subsequent Supreme Court cases mentioning that case."

The Seventh Circuit found it unnecessary to solve the problem due to the solvency of the litigants and decided only that entitlement to the royalties would not depend upon who had possession thereof at the termination of the suit, there being no contention as to the licensor being unable to make refunds should the court order same. The court found no need for a temporary injunction to relieve the licensee of its contract payment obligations.

The Second Circuit has recently given lip service to the importance of the public policy established in *Lear* but nevertheless required the licensee to make payments and thus fulfill its license contract obligations. In *Warner-*

*Jenkinson Co.* v. *Allied Chemical Corp.,* 567 F.2d 184 (2 Cir. 1977), the court stated:

> "Lear established that removing restraints on commerce caused by improperly-held patents should be considered more important than enforcing promises between contracting parties. Thus, the seeming inequity of allowing a licensee to keep his license while he attacks the validity of the licensor's patent is outweighed by the public interest in placing no impediment in the way of those in the best position to contest the validity of the underlying patent."

At the same time, faced with the issue of the licensee's request to escrow the royalties, the court very clearly enforced the contract provisions apparently under the "eviction" rule stating:

> "We believe that if the plaintiffs wish to continue to invoke the protections of their licensing agreements, they should be required to continue paying their royalties to the defendant."

Diametrically opposed to the Second Circuit, the Third Circuit has clearly recognized that there is a patent law policy proclaimed in *Lear* in which the contract obligations of the license are suspended. In *American Sterilizer Co.* v. *Sybron Corp.,* 614 F.2d 890 (3 Cir. 1980), the Court recognized that the public policy was paramount over the contract law enforcement statement, stating at page 896:

> "Under *Lear,* a licensee may indeed challenge the validity of the patent which it has licensed and its royalty obligation is suspended 'at least from the time he refuses to pay the contractual royalties.' Id. at 674, 89 S.Ct. at 1913. This freedom from a royalty obligation springs from patent law policy. That policy encourages licensees to litigate the validity of patents, because patents are issued ex parte by the Patent Office."

The Sixth Circuit, like the Third, has refused to enforce licenses during the "challenge", thus suspending the contract provision in favor of the *Lear* public policy. The Sixth Circuit embraced what it considered as an early Second Circuit view and held for the suspension of the contract requirements in *Atlas Chemical Industries, Inc* v. *Moraine Products,* 509 F.2d 1, 6 (6 Cir. 1974) stating:

> "The cases in the other Circuits which have reached this issue are in agreement with our interpretation. The Second Circuit has stated:
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> 'What *Lear* precisely held was that the courts may not enforce a royalty agreement with respect to an invention embodied in an American patent while the licensee was contesting its validity and could recover only when, as an if validity was established.' Painton & Co., Ltd. v. Bourns, Inc., 442 F.2d 216, 226 (1971)."

But the Second Circuit has not followed *Painton* subsequently (ante, p. 13).

The Ninth Circuit in plain language has held that the termination provisions of a contract unenforceable based on the *Lear* public policy, as stated in *St. Regis Paper Co.* v. *Royal Industries,* 552 F.2d 309, 313 (9 Cir. 1977):

> "St. Regis stopped all royalty payments on the basis of *Lear, Inc.* v. *Adkins,* 395 U.S. 653, 89 S.Ct. 1902, 23 L.Ed.2d 610 (1969), but it did not comply with the procedure for terminating the agreement set out in section 12(b)(1).
>
> "The District Court held that section 12(b)(1) of the agreement was unenforceable under *Lear,* and that St. Regis did not have to pay royalties after the filing of this action.
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> * * * *
>
> "In *Lear, Inc.* v. *Adkins,* 395 U.S. 653, 89 S.Ct. 1902, 23 L.Ed.2d 610 (1969), the Supreme Court

> rejected the doctrine of licensee estoppel which prohibited a licensee from challenging the validity of his licensor's patent in an action for royalties under the license agreement. Under the *Lear* doctrine, a licensee can avoid payment of royalties withheld before the patent was declared invalid."

These conflicts as to a vital public policy matter cry out for resolution.

### Under the Lear Policy The Law Must Permit Omission of Patent Marking Without Termination

Section VI of the B & J-Hennessy license merely recited that all products made, used or sold pursuant to the license bear legal notice of the patent in accordance with 35 U.S.C. §287. The patent statute, 35 U.S.C. §287 (App. 1a) is permissive, not mandatory, permitting the printing of the patent number upon the product to give constructive notice to would-be infringers in lieu of actual notice. The licensor admitted that all manufacturers of such products had actual notice so that whether the licensee complied with the contract provisions giving constructive notice so that whether the licensee complied with the contract provisions giving constructive notice was of no effect and affected no rights including those of the licensor.[4]

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[4] Stenograph transcript of Testimony of President of B & J @ S.T. 1144-5:

> Q. You were in court when Mr. Hosier gave his opening statement at the beginning of this trial?
> A. Yes, I was.
> Q. Did you hear him say that everybody in the United States that you claim could be infringing these patents is either licensed or a defendant here? Is that true?
> A. Yes.

If this Court does not speak on the issue, the enforcement of a license will take precedence over the public policy proclaimed in *Lear* v. *Adkins*. Every licensee will be in a dilemma, required to mark and pay under the discredited "eviction" rule, or forced to forfeit its license for a technical and inconsequential breach.

### The Doctrine of Estoppel by Marking Must Give Way to Public Policy

Petitioner's third question arises out of the same factual situation set forth above. This court in *Lear* eliminated licensee-estoppel as a barrier to the challenge of licensed patents. The doctrine of marking-estoppel severely impedes that challenge and should likewise be eliminated as a barrier to the challenge.

The Seventh Circuit below approved the district court action in forfeiting the license for failure to comply with the marking requirement of the license. Under the prior decisions of the Seventh Circuit, it is clear that the doctrine of marking-estoppel would have required royalty payments for any product which was marked with the patent number whether or not it was covered by valid patent. *Kraly* v. *National Distillers and Chemical Corp.*, 502 F.2d 1366 (7 Cir. 1974). Thus, it was imperative for Hennessy to remove the patent number from its product in order to mount an effective economic challenge to the validity of the patents. But, according to the Seventh Circuit this justified forfeiture. There was no consequence or damage to the licensor since it was admitted that every maker of such equipment had actual notice and the constructive notice of the marking would be ineffective.

The Seventh Circuit in 1970 made clear in *Beckman Industries, Inc.* v. *Technical Development Corp.*, 433 F.2d

55, 59 (7 Cir. 1970), that marking-estoppel did not prevent the challenge to the validity of the patents stating:

> "we hold as a matter of law that licensees are no longer estopped to challenge the validity of a licensed patent merely because they have marked their products with the patent number."

Four years later, the Seventh Circuit made equally clear that it would enforce a contract provision for payment of royalties for any product that was marked with the patent number and that the failure to mark could give rise to termination of a license. The court stated in *Kraly* v. *National Distillers and Chemical Corp.*, 502 F.2d 1366 (7 Cir. 1974) at 1372:

> "The court keyed the terminated date of National Distillers' royalty obligation to the date on which National Distillers stopped marking its product with Kraly's patent number.
>
> * * * *
>
> "Once it ceased to represent that its product was licensed under the patent, it had repudiated the license agreement and assumed the risk of being found liable for infringing without receiving the concomitant commercial benefit of being a licensee."

Thus, the Court of Appeals applied the "renunciation" rule and placed a damper upon a licensee challenge of validity where the license contract containing a provision requiring the marking of the patent number on the product, because the licensee could not keep his license and avoid payment unless the patent marking was removed. The licensee in the Seventh Circuit is faced with conflicting directives. He must either continue to mark, and if he marks, pay the royalties, or renounce the license by removal of the marking and face the risk of infringing. As one author stated:

> "C. The Importance of License Termination
>
> "A licensee will generally want to retain the license while contesting patent validity, since a termination of the underlying license makes the licensee vulnerable to an infringement action by the former licensor. In the event the validity of the patent is upheld, a licensee still standing on the license would be liable only for royalties contractually due under the license; a licensee sued as an infringer could be liable to return all profits the patentee lost from the infringer's use of the claimed invention and would be open to an injunction precluding the continued practice of the claimed invention. Therefore, whether or not to retain the license is a decision licensees alone want to be in a position to make."[5]

This Court should now make it clear that marking by a licensee challenging validity and infringement of the patents listed is not an estoppel.

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[5] Kim R. Smith, "Foreclosure of Licensee Validity Challenges with Procedural Barriers: Federal Jurisdiction", Vol. 61, No. 12, December, 1979, Journal of the Patent Office Society, page 690, at pp. 700-701.

## CONCLUSION

Certiorari should issue to establish the preeminence of this Court's proclamation of public policy over contract law enforcement of licenses during a licensee challenge to the validity of licensed patents. Marking-estoppel should be eliminated as a barrier and economic impediment to licensee challenge to licensed patents which are believed invalid.

Respectfully submitted,

James C. Wood
20 No. Wacker Drive
Chicago, Illinois 60606
Tele: 312-346-1630
*Attorney for Petitioner*

*Of Counsel:*

William A. VanSanten
Wegner, Stellman, McCord,
Wood & Dalton
20 No. Wacker Drive
Chicago, Illinois 60606

# APPENDIX

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## STATUTE INVOLVED

### § 287. Limitation on damages; marking and notice

Patentees, and persons making or selling any patented article for or under them, may give notice to the public that the same is patented, either by fixing thereon the word "patent" or the abbreviation "pat.", together with the number of the patent, or when, from the character of the article, this can not be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice. In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice. July 19, 1952, c. 950, § 1, 66 Stat. 813.

# UNITED STATES COURT OF APPEALS

For The Seventh Circuit

Chicago, Illinois 60604

September 11, 1981

Before

Hon. Thomas E. Fairchild, *Circuit Judge*
Hon. Wilbur F. Pell, Jr., *Circuit Judge*
Hon. Wesley E. Brown, *Senior District Judge**

Nos. 80-1357, 80-1423

B. & J. MANUFACTURING COMPANY,
Plaintiff-Appellee, Cross-Appellant,

vs.

HENNESSY INDUSTRIES, INC.,
Defendant-Appellant, Cross-Appellee.

Appeals from the United States District Court for the Northern District of Illinois, Eastern Division
No. 73 C 2174
Joel M. Flaum, *Judge*

On consideration of the petition for rehearing filed in the above-entitled cause by Hennessy Industries, Inc., defendant-appellant, cross-appellee, all of the judges on the original panel having voted to deny the same,

IT IS HEREBY ORDERED that the aforesaid petition for rehearing be, and the same is hereby, DENIED.

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* Wesley E. Brown, Senior District Judge for the District of Kansas, is sitting by designation.

UNITED STATES COURT OF APPEALS

FOR THE SEVENTH CIRCUIT

Chicago, Illinois 60604

Argued December 12, 1980

August 3, 1981

BEFORE

Hon. THOMAS E. FAIRCHILD, *Circuit Judge*
Hon. WILBUR F. PELL, JR., *Circuit Judge*
Hon. WESLEY E. BROWN, *Senior District Judge*[*]

Nos. 80-1357, 80-1423

B. & J. MANUFACTURING COMPANY,
Plaintiff-Appellee, Cross-Appellant,

vs.

HENNESSY INDUSTRIES, INC.,
Defendant-Appellant, Cross-Appellee.

Appeals from the United States District Court for the Northern District of Illinois, Eastern Division
No. 73 C 2174
JOEL M. FLAUM, *Judge*

## ORDER

Unpublished order not to be cited for Circuit Rule 35

This is a patent infringement action in which the plaintiff alleges that the defendant has infringed three of the plaintiff's patents covering certain tire mounting, bead-seating and inflation apparatus and the defendant, in turn, has contested the validity of the patents, claiming that its allegedly infringing action was in fact licensed by the plaintiff and that the articles it manufactured and sold were not covered by the patents in the first place. The district court held in a thorough and well-reasoned opinion that the plaintiff's patents were valid and infringed by the defendant and the defendant was not protected by the license. The court found, however, that the license itself was not violated by the manufacture and sale. It ordered the forfeiture of the license, nevertheless, due to defendant's failure in "bad faith" to mark adequately admittedly licensed products with patent information, as required by the license.

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[*] Wesley E. Brown, Senior District Judge for the District of Kansas, is sitting by designation.

On this appeal, the defendant has realleged its arguments made to the district court and contends that the manufacture and sale of its inflation "kits" did not infringe the plaintiff's patents because of the asserted narrowing of the patents by the doctrine of file-wrapper estoppel, that the second and third patents are invalid either due to double patenting or aggregation, that the sale of its "kits" was licensed, and that the forfeiture of its license for the "technical breach" of failing to mark was inequitable. The plaintiff has cross-appealed, claiming that the defendant's conduct breached the license as well as the patents and that the license forfeiture thus should be held effective at the time of the sales of the "kits" in 1971, not at the time of the defendant's failure to cure the marking violations in 1974.

After reviewing the extensive record of this case as well as the controlling legal principles set forth in the district court's opinion and the oral argument and briefs of the parties, we have concluded that the district court correctly rejected the defendant's arguments and that no purpose would be served by addressing them once again. The district court correctly found that the doctrine of file-wrapper estoppel was inapplicable because the plaintiff's voluntary narrowing of its claims was not done in response to a Patent Office objection, *Bishman Manufac-*

*turing Co.* v. *Stewart Warner Corp.,* 380 F.2d 336, 340 (7th Cir. 1967), *cert. denied,* 389 U.S. 897 (citations omitted), but that even if narrowed by the doctrine to cover only a device injecting a "substantially continuous" circle of air into the tire, the patents were infringed by the "kits." The court also correctly held that the second and third patents were not the result of illegal "double patenting" in light of the terminal disclaimers filed with those patents, *Application of Vogel,* 422 F.2d 438, 442 (C.C.P.A. 1970), *C-Thru Products, Inc.* v. *Uniflex, Inc.,* 262 F. Supp. 213, 218 (E.D.N.Y. 1966), and that the third patent covered more than a simple aggregation of prior knowledge which was found unpatentable in *Lincoln Engineering Co.* v. *Stewart Warner Corp.,* 303 U.S. 545 (1938). Furthermore, we fully agree with the district court's interpretation of the license, which explicitly allowed the defendant to produce and sell only "tire mounting machines *incorporating* the inflation devices" (emphasis supplied) but which did not allow the production and sale of the inflation kits separate from the machines. Lastly, in light of the district court's opinion that the defendant's patent marking violations were in bad faith, a finding that, as with all other of the district court findings, the defendant has failed to establish was clearly erroneous, *Williams Manufacturing Co.* v. *United Shoe Machine Corp.,* 316 U.S. 364, 367 (1942), we do not regard this as an appropriate case to invalidate in equity the termination provisions in the parties' license.

With regard to the plaintiff's cross-appeal, we concur with the district court's finding as to when the license should be considered to have been terminated and forfeited, although the question is a close one. Plaintiff basically contends that the license to the defendant allowing it to produce and sell inflation machines "incorporating" the patented devices should be held to imply a negative covenant prohibiting the defendant from selling the "kits" separately. *See Manners* v. *Morosco,* 252 U.S. 317 (1920). Thus, the plaintiff concludes, when the defendant sold the "kits" in 1971, the license was violated as were the patents and did not require the marking violation in 1974 for forfeiture as was found by the district court.[1] Although this construction may or may not have been the intent of plaintiff's predecessor in interest when he negotiated the license, no such provision is explicitly incorporated into the license and none is necessary to effectuate the obvious intent of the parties manifested by the license to *allow* the defendant to produce and sell the machines incorporating the devices. The sale of the "kits" violated the patents themselves and the parties might well have anticipated that this protection was sufficient. Although the plaintiff challenges the district court's refusal to imply a contract provision not "absolutely necessary" to effectuate the intent of the parties, we note that this standard or its equivalent has been utilized often before, *e.g., Atkins* v. *Adams,* 152 F.2d 489, 492 (7th Cir. 1945), Williston, Contracts, § 1295 at 36 (3rd Ed. 1968) (Supp. 1980), and even under the lesser standard posited by plaintiff, there has been no showing that such a prohibition *in the license* was intended by or within the contemplation of the plaintiff's predecessor. The district court is, therefore, affirmed in all respects including its grant of an injunction prohibiting the defendant's future infringements and we adopt the opinion of the district court as our own. All costs on appeal should be borne by the defendant-appellant.

AFFIRMED.

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[1] Plaintiff also complains that the license should have been deemed forfeited in 1973 when the defendant actually ceased marking the machines, not in 1974 after the defendant refused to cure the failure upon receiving the plaintiff's objections. Such a construction, however, ignores the clear provision in the license authorizing terminations only after notice and failure to cure by the defaulting party, and thus was correctly rejected by the district court.

# UNITED STATES DISTRICT COURT

Northern District of Illinois

Eastern Division

Name of Presiding Judge, Honorable Joel M. Flaum

Cause No. 73 C 2174 January 31, 1980

Title of Cause:
B & J Manufacturing v. Hennessy Industries

Brief Statement of Motion:
Ruling

The Court helds at this time that B & J is entitled to recover costs from Hennessy in the amount of $3,685.68, the Court further directs B & J to submit a supplemental bill of costs by February 15, 1980. The Court hereby amends page 48 of its Memorandum Opinion dated December 19, 1979, *nunc pro tunc,* by adding the following sentence between lines 15 and 16: "Additional Hennessy is enjoined from committing further acts constitute unlicensed infringement of said patents. (DRAFT)

Flaum, J.

## UNITED STATES DISTRICT COURT

### Northern District of Illinois

### Eastern Division

B & J MANUFACTURING COMPANY,
Plaintiff,
vs.
HENNESSY INDUSTRIES, INC.,
Defendant.

No. 73 C 2174

## MEMORANDUM OPINION

JOEL M. FLAUM, District Judge:

This matter comes before the court upon the Motion of plaintiff, B & J Manufacturing Co. (B & J), to amend the Memorandum Opinion and Order entered by this court on December 19, 1979 (Opinion and Order) and upon its petition for costs. For the reasons set forth below, the Motion is granted, and B & J is awarded costs at this time in the amount of $3,685.68. Further, B & J is directed to submit a supplemental bill of costs to the court by February 15, 1980, as provided in this Opinion.

B & J requests the court to amend the Opinion and Order by adding thereto, pursuant to 35 U.S.C. § 283, a provision enjoining Hennessy Industries, Inc. (Hennessy), from infringing the claim of the patents in suit that were ruled valid therein. After considering the findings of fact and conclusions of law contained in the Opinion, as well as the representations contained in Hennessy's brief in opposition to the instant Motion, the court concludes that this is an appropriate case in which to apply the general rule, *see* 8 Deller's Walker on Patents § 719, at 464, that "courts will protect patent rights by injunctive process". *City of Milwaukee* v. *Activated Sludge, Inc.,* 69 F2d 577, 593 (7th Cir.), *cert. denied,* 293 U.S. 576 (1934). Therefore, the Motion will be granted.

B & J also seeks an award of costs under Rule 54(6), Fed. R. Civ. P., in the amount of $17,065.54. These claimed taxable costs fall into five categories: transcript fees, witness fees, fees for exemplification and copies of papers, docket fees, and costs, incident to the taking of depositions. These requests will be considered *seriatim.*

Hennessy objects generally to these claims on the ground that the taxable costs should be apportioned between it and FMC Corp., the defendant in *B & J Manufacturing Co.* v. *FMC Corp.,* 75 C 401, which case was consolidated with the case at bar until after trial, at which time the former case was settled and a consent judgment was entered therein. Hennessy cites no authority in favor of its position, and, in light of the fact that Hennessy conducted its own defense at trial—FMC presented no witnesses and coss-examined none—, the court concludes that, under the circumstances present in this case, its contention is without merit.

Turning to the individual categories of claims, the court will begin by considering B & J's claims under 28 U.S.C. § 1920(2) for "[f]ees of the court reporter for . . . transcript[s] necessarily obtained for use in the case." It requests $3,085.00 for the trial transcript. However, under General Rule 45(b) of the United States District Court for the Northern District of Illinois, "[c]osts of additional copies of transcripts . . . [and] costs of transcripts based on daily rates shall not be allowed unless previously provided for by order of court." Therefore, as Hennessy has already been billed for half of this allowable sum, B & J shall only be awarded $925.50 for the trial transcript. B & J seeks an additional award of $49.10 for "Miscellaneous Transcripts of Proceedings at Pretrial Hearings." Without a more detailed justification for this request, the court cannot conclude that the transcripts were "necessarily obtained for use in the case." Hence, the court will deny this request. Finally, B & J requests an award to cover various deposition transcripts. Insofar as the claimed taxable costs include costs for copies of said transcripts, General Rule 45(b) dictates that the petition must be denied. In addition, the court concludes that that depositions of Gary Kemp, Lawrence Cox, Anthony, Fortunski, Robert R. Cole, Francis T. Grady, John T. McGraw, and John D. McKinney were not reasonably necessary for use in *this* case, *cf. Wahl* v. *Carrier Manufacturing Co.*, 511 F.2d 209 (7th Cir. 1975) and that, in any court, the cost of the transcripts of said deposition should not be taxed against Hennessy. On the other hand, the court finds that the other deposition transcripts were "necessarily obtained for use in the case", and the cost of these transcripts is properly recoverable. B & J is directed to file with the court, by February 15, 1980, a supplemental bill of costs identifying the particular expenses that the court now holds to be taxable in connection with these transcripts under 28 U.S.C. § 1920(2).

Next, the court will address B & J's claims for witness fees under 28 U.S.C. §§ 1920(3), 1821. Its petition for $456.00 in attendance fee and subsistence and travel allowance for Lee M. Corless is unopposed, and the court, finding the amounts sought to be proper, grants this request. So, too, with the request for said fees and allowances for George B. Richards, as reduced to $333.60 to reflect the fact that the parties agree that the taxable costs for this witness should be limited to six days' worth of fees and allowances. Finally, the court concludes that the award of $456.00 sought as witness fees for Bruce D. Caulkins is properly taxable to Hennessy. *See Federal Savings & Loan Insurance Corp.* v. *Szarabajka,* 330 F. Supp. 1202 (N.D. Ill. 1971). B & J also seeks an award of "expert witness fees" with regard to these witnesses. This request will be denied. *Adams* v. *Carlson,* 521 F.1d 168 (7th Cir. 1975).

B & J lists two claims for fees "for exemplification and copies of papers necessarily obtained for use in the case." Its request under 28 U.S.C. § 1920(4) for $251.25 for "photographic services for plaintiff's trial charts and exhibits is unopposed, and it will be allowed. Hennessy does object to B & J's claim of $1,175.83 for "professional services and rental fees for plaintiff's movies, trial exhibit 365". Hennessy argues, citing *Frigiquip Corp.* v. *Parlar-Hennifin Corp.,* 75 F.R.D. 605 (W.D. Okla. 1977), that the expenses claimed by B & J are non-taxable research expenses rather than exemplification costs. The court disagrees, and concludes that, even given the limited scope of the discretion that district courts have in this area, *Wahl* v. *Carrier Manufacturing Co.,* 511 F.2d 209, 217 (7th Cir. 1975), this item is properly recoverable expense.

B & J requests for $87.50 in docket fees pursuant to 28 U.S.C. § 1923 is unopposed. The court deems this request proper, and it will be allowed.

Finally, B & J seeks an award of $223.64 "costs incident to taking of depositions". This figure is not broken down, and it may be that it will have to be adjusted as a result of the court's above ruling concerning the taxability of the cost of the depository transcripts. An itemized list of the taxability of expenses falling in this category that B & J deems recoverable in light of that ruling should be included in the supplemental bill of costs that the court has directed plaintiff to file in this matter.

Accordingly, the court holds at this time that B & J is entitled to recover costs from Hennessy in the amount of $3,685.68. The court further directs B & J to submit a supplemental bill of costs by February 15, 1980. Finally, the court hereby amends page 48 of its Memorandum Opinion dated December 19, 1979, *nunc pro tunc,* by adding the following sentence between lines 15 and 16: "Additionally, Hennessy is enjoined from committing further acts constituting unlicensed infringement of said patents."

It is so ordered.

/s/ Joel M. Flaum
United States District Judge

Dated: January 31, 1980

# UNITED STATES DISTRICT COURT

Northern District of Illinois

Eastern Division

B & J MANUFACTURING COMPANY,
Plaintiff,
vs.
HENNESSY INDUSTRIES, INC.,
Defendant.

No. 73 C 2174

## MEMORANDUM OPINION

JOEL M. FLAUM, District Judge:

This cause having been tried by the court without a jury, the court, having heard the testimony and examined the exhibits properly placed in evidence by the parties, having heard the arguments of counsel, and being otherwise fully advised in the premises, hereby enters the following findings of fact and conclusions of law, pursuant to Fed. R. Civ. P. 52(a).

This court has jurisdiction over this matter under 28 U.S.C. § 1338(a). Venue is admittedly proper in this district.

Plaintiff, B & J Manufacturing Co. (B & J), is an Illinois corporation having a principal office and place of business at 700 West 193rd Street, Glenwood, Illinois.

Hennessy Industries, Inc. (Hennessy) is a Delaware corporation having a principal office and place of business at 520 Lively Boulevard, Elk Grove Village, Illinois.

B & J is the holder of three patents-*viz.,* United States Patent 3,552,469 (the '469 patent), entitled "Tire Bead Seater", United States Patent 3,675,705 (the '705 patent), entitled "Tire Bead Seating and Inflation Apparatus", and United States Patent 3,805,871 (the '871 patent), entitled "Tire Mounting, Bead Seating and Inflation Apparatus and Method of Use". It alleges that these patents have been infringed by Hennessy.

Hennessy denies the charge of infringement and makes an alternative affirmative defense of license. In addition, it claims that those claims of the patents that it is said to have infringed are invalid.

For the reasons set forth below, the court holds that all of the contested claims of the three patents are valid, that the accused devices infringe the claims of those patents that B & J alleges they infringe, and that the sale by Hennessy of the accused devices as kits and their sale in any form after its receipt of the letter from counsel for B & J dated September 16, 1974, constituted unlicensed infringement. The court rules, further, that an accounting must be held to ascertain the compensation owing to B & J. Treble damages and attorney's fees will not be awarded to B & J. It is, however, entitled to an award of costs.

## BACKGROUND

The tubeless tire made its first appearance on American automobiles in the early 1950's. By the middle of that decade, the tubeless tire had become standard equipment on passenger cars manufactured in this country. Indeed, it also replaced tires equipped with inner tubes for use on trucks and other off-the-road vehicles.

The introduction of tubeless tires led to the appearance of a new problem in tire inflation. When its upper and lower beads[1] are in sealing contact with the wheel rim, a tubeless tire can be inflated through the valve stem located in the wheel.[2] However, it often happens that, owing to the vicissitudes of, *inter alia,* the shipping, storing, or packaging of a tubeless tire, when it has been mounted on a wheel, at least one of its beads is found not to be in sufficient sealing contact with the wheel rim. In such a case, the inflation of the tire cannot, without the use of some mechanical aid, be accomplished entirely through the value stem, as the air injected into the cavity would escape through the opening, or window, between the unseated bead and the wheel rim proximate to it. Thus, a new method had to be devised to facilitate the inflation of these problem tires.

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[1] The interior rings of tubeless tires are known as beads.

[2] Tube tires are typically inflated in this manner.

As a result of an industry-wide effort, numerous devices were fashioned to accomplish this task. These apparatus all required the creation of a mechanical seal between the tire bead and the wheel rim. Some of them involved the use of a constricting band, by means of which the circumference of the tire sidewall was constricted, thereby causing the interior rim of sidewall, the tire bead, to move into sealing engagement with the wheel rim. Others operated by enclosing the window within a larger sealed space, and then seating the tire beads by injecting air into this closed container.

Neither of these methods of tubeless tire inflation were without its drawbacks. The use of constrictor bands was always hazardous for the would-be tire inflator. The appearance of radial ply and steel-belted radial ply tires on the market added to the problem, as they rendered constrictor bands ineffective and/or harmful to the tires themselves. Difficulties also attended the use of many of the devices that achieved a mechanical seal by the second means mentioned above. For instance, to employ a device on the order of the Omega Band bead seater marketed by Bruce Caulkins, Inc. (BCI), patented as United States Patent 3,280,880, entitled "Method of and Apparatus for Inflating Tubeless Tires", filed January 29, 1965 and issued on October 25, 1966, it was necessary to have a different mechanical sealing part for each tire, each rim diameter, and each rim size. The apparatus disclosed by the Muller patent, United States Patent 3,461,938, entitled "Tire Mounting and Inflation System", filed March 9, 1967 and issued on August 16, 1969, required the application of 10,000 lbs. of pressure against the wheel rim in order to seat the beads of and inflate "problem" tubeless tires.

Bruce D. Caulkins (Caulkins) holds a Bachelor's degree in science and a Master's in physics, with minors in chemistry and mathematics. He worked for Uniroyal between the end of his formal education in 1929 and 1945, in connection with its business of manufacturing and selling tires. In 1945, he joined the Atlas Supply Company (Atlas), for whom Uniroyal had manufactured tires during at least the latter portion of Caulkins' tenure with Uniroyal. At Atlas, Caulkins was responsible for selecting the tires and equipment relating thereto that would be made available to Standard Oil service stations under the Atlas brand name. Caulkins returned to Uniroyal in 1960 as the Director of Quality Control of their automobile tire manufacturing operations. He continued to work for Uniroyal until August 1, 1963, at which time he commenced devoting himself to the affairs of BCI, a basically one-person enterprise that had incorporated in March, 1963. From the beginning, BCI marketed tire-related products developed by Caulkins. In 1965, BCI started selling the aforementioned Omega Band, which was the invention of Caulkins and others. This product was a commercial success, and, in 1968, BCI recruited Caulkins' friend Lee M. Corless (Corless) to provide some office help.

Corless received a B.S. in mechanical engineering from Michigan State University in 1930. With the exception of the war years, during most of which he headed an Army school for motor mechanics, Corless spent the next thirty-three years in the employ of several American automobile manufacturing companies. Principally, his duties with them involved experimental automotive engineering.

Not long after becoming associated with BCI, Corless began to go out into the field to talk to BCI's customers and discuss with them whatever problems that they might have had with BCI's products. At that time. BCI was primarily selling Omega Bands, and so Corless became educated in the above-mentioned problems involved in the inflation of tubeless tires. He came to the conclusion that there had to be a "better answer" to those problems than the mechanical sealing devices then in use, and he set out to find it.

Corless' experiments resulted in the issuance to him of the three patents in suit. He assigned his rights under the patents over to BCI, which, on June 1, 1971, granted Hennessy a nonexclusive license under the then-issued '469 patent, the then-pending application which shortly thereafter issued as the '705 patent, and the about-to-be-filed application which matured into the '871 patent. Subsequently, in July, 1971, B & J acquired BCI's entire right, title and interest in and to the patents in suit.

The Coats Company, Inc. (Coats), a subsidiary of Hennessy, is its supplier and manufacturer of tire changing machines. Coats tire changing machines are sold by Hennessy with or without tubeless tire inflation apparatus, according to its customers' specifications. Hennessy also markets the Coats-made tire inflation apparatus parts sold separately for field installation on Coats brand tire changers. These OEM machines and kits are the devices accused of infringement in this suit.[3]

## PATENT VALIDITY

### *The '469 Patent*

The application that lead to the issuance of the '469 patent was filed on February 16, 1969. The application was amended in January, 1970, before the Patent Office had taken any action thereon, at the request of Corless. The patent was issued without further amendment on

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[3] Tire changers provided with factory installed tubeless tire inflation apparatus are called "OEM machines". The apparatus sold separately in a form suitable for retrofitting—i.e., installing them on tire changer machines already in the field—will be referred to as "kits".

January 5, 1971, all of its claims being allowed. Finally, in June of 1971, BCI, then the holder of the patent, filed a disclaimer with the Patent Office in which it disclaimed several claims of the issued patent.

Hennessy challenges the validity of this patent on two grounds. First, it alleges that the '469 patent is invalid under 35 U.S.C. § 102 for anticipation. Second, it maintains that the claims of the patent are invalid under 35 U.S.C. § 103, because they are obvious in light of the prior art.

Before evaluating the merits of these arguments, the court deems it proper to review certain general principles of patent law. 35 U.S.C. § 282 states that

> [a] patent shall be presumed valid. Each claim of a patent . . . shall be presumed valid independently of the validity of other claims. . . . The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

This statutory presumption is not conclusive; rather, it shifts the burden of proof to the party attacking the validity of the patent. *Republic Industries, Inc.* v. *Schlage Lock Co.,* 592 F.2d 963 (7th Cir. 1979). In general, clear and convincing evidence of invalidity is necessary to overcome this presumption. *Laser Alignment, Inc.* v. *Woodruff & Sons, Inc.,* 491 F.2d 866, 871 (7th Cir.), *cert. denied,* 419 U.S. 874 (1974). The presumption is strengthened when the record before the Patent Office Examiner, the file wrapper, discloses that the prior art references, or equivalent references, relied on by the party claiming invalidity were considered by the Examiner during the prosecution of the application for a patent. *Id.* On the other hand, the presumption does not exist against evidence of prior, non-equivalent, art not before the Patent Office. *The Allen Group* v. *Nu-Star, Inc.,* 575 F.2d 146 (7th Cir. 1974) (*per curiam*), and invalidity need only be proven in such cases by a preponderance of the evidence. The burden of proof imposed upon the party attacking a patent's validity is similarly reduced when allowed claims are subsequently disclaimed. *Hoover Co.* v. *Mitchell Manufacturing Co.*, 269 F.2d 795 (7th Cir. 1959); 4 Deller's Walker on Patents § 286, at 237 (1965).[4] With these principles in mind, the court will turn to the arguments raised by Hennessy against the validity of the '469 patent.

35 U.S.C. § 102 provides, in pertinent part, as follows:

> A person shall be entitled to a patent unless—
>
> (a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or
>
> (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States. . . .

In *Namirowski* v. *Nabisco, Inc.*, 421 F. Supp. 349 (N.D. Ill. 1976), *aff'd mem.*, 567 F.2d 392 (7th Cir. 1977), *cert. denied*, 435 U.S. 971 (1978), this court concluded that a purported invention is anticipated, hence unpatentable under 35 U.S.C. § 102, "only where, except for insubstantial differences, [a previous patent, printed publication or domestic product] *contains all of the same elements in the same fashion to perform an identical function*". 421 F. Supp. at 353 (quoting *Popeil Bros., Inc.* v. *Schick Electric, Inc.*, 494 F.2d 162, 164 (7th Cir. 1974)) (emphasis supplied in *Namirowski*). Thus, as the first step in deciding whether the '469 patent is void for want of novelty, the court must identify the challenged claims of said patent, and identify the elements thereof.

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[4] 4 Deller's Walker on Patents § 286, at 237 also points out that "[t]he construction of a patent, after a disclaimer has been properly entered, must be the same as it would have been if the matter so disclaimed had never been claimed". (The propriety of the entry of the disclaimer filed in connection with the '469 patent has not been challenged in this suit.)

The '469 patent consists of 22 claims. Three of these are independent claims. The others are dependent claims.

Claim 1 discloses an

> [a]pparatus for inflating tubeless tires on a vehicle wheel comprising an annular tube of larger diameter than the wheel to be received over the wheel adjacent to the rim thereof, orifice means around the inner periphery of the tube for injecting a substantially continuous ring of air under pressure through the space between the wheel rim and the bead of a noninflated tubeless tire mounted on a wheel, and inlet means on the tube for supplying air under pressure to the interior of the tube.

Claims 2-9 and 11-5 are dependent on claim 1.[5] Claim 2 describes the angle at which the orifice means are to be aimed. Claims 3 and 4 describe different forms that orifice means might take. Claim 5 provides that the annular tube may be of a variable diameter. Claim 6 describes one such tube, a discontinuous ring whose ends are joined by a turnbuckle. Claim 7 discloses the apparatus defined in Claim 6 equipped with orifice means designed specifically so as to direct their streams of air into "the peripheral space occupied by the turnbuckle". Claims 8 and 9 describe another type of variable-diameter tube, a discontinuous tube provided with telescoping ends. Finally, Claims 11-15 provide for varying cross-sectional shapes in which the annular tube could be fashioned.

Independent claim 16 discloses

> [t]he method of inflating a tubeless tire on a vehicle wheel comprising the steps of mounting a noninflated tubeless tire on a vehicle wheel, injecting air under

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[5] Claims 10, 20, 24, 25, and 27, all of which involved the use of an auxiliary device to create a mechanical seal over the entire window, were disclaimed in June, 1971.

> pressure as a substantially continuous ring into the tire peripherally around the tire through the space between the wheel rim and the adjacent tire bead to partially inflate the tire and cause the tire bead to almost make sealing contact with the wheel rim, and then completely inflating the tire by injecting air under pressure through the conventional tire valve.

Claims 17-18 are dependent upon claim 16. Claim 17 provides that the injection of air under pressure through the window shall cease substantially simultaneously with the commencement of the injection of air under pressure through the valve stem. Claim 18 modifies claim 17 by disclosing that the accomplishment of the simultaneous switch from injection via the annular ring to injection via the valve stem shall be achieved by use of a valve device. Claim 19 elaborates upon the method described in claim 16 by providing for a reservoir of air under pressure as a source for the initial injection of air into the tire via the annular ring.

Claim 21, the third and last independent claim in the '469 patent, discloses an

> [a]pparatus for inflating tubeless tires on a vehicle wheel comprising an annular tube of larger overall diameter than the wheel to be received on the wheel, orifice means around the periphery of the tube and spaced radially outwardly from the periphery of the wheel for injecting air under pressure as a substantially continuous ring through the space between the wheel rim and the bead of a non-inflated tubeless tire mounted on the wheel, and inlet means on the tube for supplying air under pressure to the interior of the tube.

Claims 22, 23 and 26 are dependent upon claim 21. Claim 22 describes the inner diameter of the annular tube as larger than the diameter of the wheel, such that the tube may be received over the wheel and adjacent to its rim. It further provides that when the apparatus appears in this form, the orifice means should be located on the inner periphery of the tube. Claim 23 defines a version of claim 21 in which the outer, but not the inner, diameter of the annular tube is greater than the diameter of the wheel. Claim 26 provides that the apparatus described in claim 26, which is designed such that the annular tube rests on the wheel rim during tire inflation, should be equipped with an auxiliary device to insure that the tube is actually in sealing engagement with the wheel rim.

Hennessy argues that claims 1 and 16, and therefore the claims dependent upon them, are unpatentable because anticipated by United States Patent 2,874,760, entitled "Bead Seating Device For Tubeless Tires", filed June 9, 1954, and issued to Walter F. Bishop on February 24, 1959 (Bishop).[6]

The Bishop patent discloses a bead seating device that operates through the use of a mechanical seal. Specifically, Bishop teaches that a tubeless tire whose beads are not in sealing contact with the wheel rim can be inflated by means of a device composed of a rigid plate so fashioned as to be able to be positioned in airtight sealing contact with the wheel rim; an extention thereof jutting outwards from the top of that plate over the sidewall of the tire that it is sought to seat; and a flexible rubber membrane that is connected on one end to the aforementioned extension of the rigid plate, and that descends from thence to the tire sidewall, the membrane being designed so as to be able to achieve airtight sealing contact with said sidewall. Bishop's specifications describe the inflation of such a tire with this device as involving the injection of air under pressure into the previously (mechanically) sealed space bounded by the patented device and the cavity formed by the wheel and the tire along the entire circumference of the window, thereby seating the beads and inflating the tire.[7]

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[6] It is only these claims with regard to which B & J alleges infringement.

The file wrapper of the '469 patent discloses that the Patent Office Examiner considered Bishop during the prosecution of the application for the '469 patent. Thus, Hennessy must overcome the presumption of validity if it is to prevail on the issue of anticipation.

The court holds that Hennessy has failed to prove that Bishop is a prior patent

> which contained all the elements enumerated in [claims 1 and 16 of the '469 patent], which performed the same function in the same way as the [device] defined in those claims, *and* whose [purpose was] to perform the same function as was performed by the device described in those claims.

*Namirowski* v. *Nabisco, Inc.*, 421 F. Supp. at 354 (citations omitted) (emphasis added). The two devices plainly were intended to perform the function of tire bead seating. However, the other portions of the standard enunciated in *Namirowski* are not met in this case. Bishop lacks the annular tube called for in claim 1. More importantly, there exists a profound structural difference between Bishop and the '469 patent: Bishop requires the existence of a sealing mechanism as part of its bead seating apparatus, while the '469 patent requires no mechanical sealing mechanism at all.[8] This structural difference is reflected in a methodological distinction—before Bishop can be used to seat the bead of and inflate a "problem" tubeless tire, its disclosure requires the mechanical creation of a relatively airtight chamber enclosing the window, tire cavity, and wheel, whereas no such initial seal need be created before the bead seating and inflation process commences according to the teachings of the '469 patent. This, taken together with the evidence before the court as to how the apparatus disclosed by the '469 patent works, suggests to the court that Bishop and the '469 patent operate on the basis of fundamentally different principles. Hennessy has not presented the court with evidence which would cause it to reach any other conclusion with regard to the question of whether the devices perform the same function "in the same way".[9] Accordingly, Hennessy has failed to prove that the challenged claims of the '469 patent are unpatentable under 35 U.S.C. § 102.

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[7] Bishop contains only apparatus claims. However, "[a]nticipation by a prior patent is to be determined from the disclosure in the patent as contained in the specification and drawings, rather than from the language or precise scope of the claims". 1 Deller's Walker on Patents § 61, at 283 (2d ed. 1964).

Hennessy also argues that the '469 patent is invalid under 35 U.S.C. § 103. The defense of obviousness raises the question of inventiveness, as opposed to the question of novelty, upon which the defense of anticipation turns. As the court noted in *Illinois Tool Works* v. *Sweetheart Plastics, Inc.*, 430 F.2d 1180, 1183 (7th Cir.), *cert. denied*, 403 U.S. 942 (1971),

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[8] While the language of the independent claims of the '491 patent is broad enough to cover an annular tube large enough to seal the window, this is not said in the claims to be necessary in order for the disclosed apparatus to work. Nor is it recommended, either in the apparatus claims or in the method claims. Indeed, the possibility of fashioning such a tube is no where alluded to in the patent.

[9] It should be obvious that the court does not consider this to be a case in which "the general aspects [of the two devices] are the same and the difference in minor matters is only such as would suggest itself to one of ordinary skill in the art". Amphenol Corp. v. General Time Corp., 397 F.2d 431, 438 (7th Cir. 1968).

> [t]he obviousness test is somewhat broader in its restrictions on the issuance of valid patents, and prior art which does not render an invention anticipated may nonetheless make it obvious.

(footnote omitted).

35 U.S.C. § 103 provides that

> [a] patent may not be obtained . . . if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

In *Graham* v. *John Deere Co.*, 383 U.S. 1 (1966), the Supreme Court outlined the proper analysis to be followed when obviousness is at issue.

> While the ultimate question of patent validity is one of law [citation omitted], the § 103 condition, which is one of three conditions, each of which must be satisfied, lends itself to several basic factual inquiries. Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved.

383 U.S. at 17. "[T]he *Graham* analysis [is] the exclusive means by which to measure nonobviousness under section 103." *Republic Industries, Inc.* v. *Schlage Lock Co.*, 592 F.2d 963, 972 (7th Cir. 1979).

Hennessy refers the court to the following prior art as relevant to its claim of obviousness: United States Patent 2,874,759, entitled "Bead Seating and Inflating Device for Tubeless Tires", filed January 12, 1953, and issued to E. G. Ranallo on February 24, 1959 (Ranallo); United States Patent 2,874,761, entitled "Bead Seating and Inflating Device for Tubeless Tires", filed August 26, 1954, and issued to A. J. Varvaro on February 24, 1959 (Varvaro); United States Patent 2,936,827, entitled "Apparatus for Mounting and Inflating Tubeless Tires", filed June 20, 1955, and issued to M. B. Riggs on May 17, 1960 (Riggs); and United States Patent 2,500,015, entitled "Automatic Tubeless Tire Bead Seating and Inflation Machine", filed March 10, 1955, and issued to H. S. Harrison on August 18, 1959 (Harrison).[10]

The file wrapper of the '469 patent reveals that Bishop and Harrison were considered by the Examiner during the prosecution of the application for the patent.[11] However, the other prior art mentioned above, the disclosures of which the court has examined, is no more pertinent than the two references that were considered by the Examiner: all of the above prior art references, including Bishop and Harrison, rely for their efficacy upon the creation of an initial mechanical seal in order to seat the beads of and achieve the inflation of a tubeless tire whose sidewalls do not engage the wheel in sealing contact, and they all describe and claim only apparatus incorporating and methods employing mechanical sealing devices.

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[10] The court has also studied the disclosures of United States Patent 2,786,516, entitled "Bifurcated Bead Seating Device for Tubeless Tires", filed April 15, 1955, and issued to A. A. Schreiner on March 26, 1957; United States Patent 2,910,117, entitled "Method and Apparatus for Inflating a Tubeless Tire and Seating the Beads", filed April 23, 1956, and issued to U. D. Lamerson on October 27, 1959; United States Patent 2,918,115, entitled "Bead Seating and Inflating Device for Tubeless Tires", filed December 7, 1955, and issued to H. G. Twigford on December 22, 1959; United States Patent 3,366,153, entitled "Tire Bead Seating and Inflating Means for Tubeless Tire Casings", filed July 5, 1966, and issued to A. R. Allen on January 30, 1968; and United States Patent 3,461,938, entitled "Tire Mounting and Inflating System", filed March 9, 1967, and issued to J. L. Mueller on August 19, 1969. These patents were cited to the court at trial, but are not relied on in Hennessy's post-trial briefs. The court's conclusions as stated in the text are equally applicable to the prior art references cited above.

[11] The file wrapper also indicates that Mueller, *see* footnote 10, *supra,* was considered by the Examiner.

Therefore, it is only necessary for the court to refer to the disclosures of Bishop, which Hennessy considers to be by far the most pertinent prior art, in order to describe "the scope and content of the prior art". As summarized above, the teaching of Bishop is that one could seat the beads of and inflate a "problem" tubeless tire by creating a mechanical seal around the tire cavity, wheel, and window, and then injecting air under pressure into this sealed chamber.

Hennessy claims that the progression from Bishop's device to the apparatus disclosed in the '469 patent would have been obvious to a person skilled in the art of tire inflation because Bishop provides for the creation of "a temporary barrier, but not a seal". Before turning to the obviousness question, the court deems it appropriate to note its disagreement with this characterization of the disclosure of Bishop. The claims of the Bishop patent require the mechanical creation of an initial seal prior to inflation of the tire by the injection of air under pressure into the tire cavity. Further, while it is true that the Bishop specifications state that one portion of the sealing mechanism described in the patent may consist of a semipermeable rubber membrane, nothing in the statement explicating the purpose and function of this avatar of Bishop's sealing apparatus casts any doubt upon the fact that Bishop teaches that the creation of an initial mechanical seal is essential to the operability of the Bishop apparatus. Indeed, that statement, upon which Hennessy relies so heavily, underlines this fact.[12]

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[12] The pertinent portion of the Bishop specifications reads as follows:

> Applicant prefers to use a cellular rubber for ring 80 which has communicating cells so that it is not

Prior to resolving the obviousness issue, it is incumbent upon the court to ascertain what the level of ordinary skill in the art of tubeless tire inflation was at the time the device disclosed in the '469 patent was invented. Hennessy has submitted no evidence as to the level or kind of education or the type of work experience typical among practioners of this art. Rather, it has elected to describe the level of ordinary skill in the art only terms of a hypothetical person "working in his shop with the prior art references—which he is presumed to know—hanging on the walls around him". *Application of Winslow,* 365 F.2d 1017, 1020 (CCPA 1966).

It is the court's conclusion that Hennessy has failed to prove that the '469 patent is invalid for obviousness. It introduced no expert testimony to that effect at trial. Indeed, one of Hennessy's witnesses, Charles Rummler, whose testimony the court finds credible in this limited regard, acknowledges that the Corless device disclosed in the '469 patent operates in a manner "directly contrary to the teachings of the prior art", including Bishop. Upon its own review of the record before it, the court is of the opinion that Corless' invention was not an obvious outgrowth of the teachings of the prior art, but

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[12] (Continued)

completely impervious to air. By using this type of material for ring 80, applicant has found that sufficient inflationary air pressure can be created within the tire to cause the mounting apparatus to function properly while at the same time, air will pass through ring 80 fast enough to substantially deflate the air chamber defined by applicant's apparatus after said tire is mounted in its ultimate position on the rim, to prevent any objectionable sudden discharge of air from said chamber when the closure member is removed from the tire and rim.

the result of his totally unprecedented approach to the problem of the inflation of "problem" tubeless tires.[13]

As Hennessy has not prevailed on either of its arguments against the validity of the '469 patent, the court rules that that patent is valid.

*The '705 Patent*

The '705 patent matured from an application filed on November 16, 1970, at which time the application for what subsequently became the '469 patent was still pending in the Patent Office. After the issuance of the '469 patent, on July 29, 1971, a terminal disclaimer was filed with regard to the former application, disclaiming "the terminal part of any patent granted on [that application] which would extend beyond the expiration date of [the '469 patent]". The application was amended before the Patent Office had taken any action thereon, at the request of the applicant, which request was made in late July, 1971. The Patent Office Examiner, who was the same Examiner before whom the '469 and '871 patents were prosecuted, disallowed two claims of the application and allowed the other claims on November 3, 1971. After receiving a communication sent by Corless' attorney and filed with the Patent Office on March 17, 1972, the Examiner reconsidered his earlier action and decided to allow all of the claims of the amended application. The '705 patent was issued on July 11, 1972.

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[13] The court does not consider this to be a close case in which secondary considerations such as long felt need, failure of others, and commercial success should be weighed in assessing the validity of the '469 patent. However, as the fact finder in this case, the court does find that a long felt need did exist for an improved tubeless tire inflation apparatus that would work on the type of "problem" tires discussed in the test of this opinion. The search for "a better way" to inflate these tires was spearheaded by the rubber tire companies, particulary Firestone, whose efforts culminated in the Varvaro, Ranallo, and Bishop patents. However, this research did not succeed in solving the problem of providing a durable, cheap, efficient, easy-to-use inflator for use in the field to the satisfaction of those concerned with the inflation of tubeless tires. The technological breakthrough represented by the '469 patent succeeded in fulfilling this need, despite the fact that, as the evidence in this case demonstrates, at least some persons familiar with the tire inflation art did not even believe that Corless device could work. Finally, the court notes that while the Omega jet, BCI's commercial embodiment of the device claimed in the '469 patent, has not enjoyed overwhelming commercial success, the invention, as part of a tire changing, bead seating, and inflation apparatus, has enjoyed immense commercial success.

Hennessy challenges the validity of the allegedly infringed claims of the '705 patent on three grounds. First, it alleges that the claims are invalid under 35 U.S.C. § 101 on grounds of double patenting. Second, it maintains that these claims are invalid under 35 U.S.C. § 102 for anticipation. Third, it asserts that these claims are invalid under 35 U.S.C. § 103 for obviousness.

The '705 patent contains thirteen claims, including three independent and ten dependent claims. Claim 1, upon which claims 2-11 are dependent, discloses an

> [a]pparatus for inflating tubeless tires on a vehicle wheel having oppositely disposed rim portions comprising tire bead seating apparatus including an annular tube of larger diameter than the wheel to surround a rim of the wheel, structure extending radially inwardly of said tube for abutment against said rim to position the apparatus with respect to the wheel, orifice means around the inner periphery of the tube for injecting a substantially continuous ring of air under pressure through the space between the wheel rim and the bead of a non-inflated tubeless tire mounted on the wheel, and inlet means on the tube for supplying air under pressure to the interior of the tube; said tire bead seating apparatus having no mechanical sealing element capable of sealing a gap between the wheel and the tire.

Claims 2-4 describe the above-mentioned "positioning" means, which also constitute handles. Claims 5-10 elaborate upon various aspects of what claim 1 refers to as the "inlet means". Claim 11 reveals a form of the annular tube in which the tube is made up of a plurality of detached arcurate segments, the ends of each of which are sealed, and each of which is equipped with its own inlet through which to receive air under pressure.

Claim 12, the second of the '705 patent's independent claims, discloses

> [t]he method of inflating a non-inflated tubeless tire on a vehicle wheel comprising the steps of applying an annular orifice structure to one side of a tire and wheel assembly, positioning the orifice structure with respect to the wheel by abutment of structure extending radially inwardly from said orifice structure against the wheel, injecting air under pressure from said orifice structure into the tire peripherally around the wheel through the space between the wheel rim and the tire bead in sufficient amounts, without using a mechanical seal, so that more air is injected into the tire than may escape with the result that the tire will be expanded to cause the tire beads to sufficiently close on the wheel rims to permit complete inflation through the conventional tire valve, and then completely inflating the tire by injecting air under pressure through the conventional tire valve.

Claims 13, the third independent claim of the '705 patent, discloses an

> [a]pparatus for inflating tubeless tires on a vehicle wheel having oppositely disposed rim portions comprising tire bead seating apparatus including an annular orifice structure having orifice means provided around a periphery of larger diameter than the diameter of a wheel to surround the rim of a wheel for injecting air under pressure around the periphery

> of the wheel through the space between the wheel rim and the bead of a non-inflated tubeless tire mounted on the wheel in sufficient amounts, without using a mechanical seal, so that more air will be injected into the tire than may escape with the result that the tire will be expanded to cause the beads to sufficiently close on the wheel rims to permit complete inflation through the conventional tire valve structure extending radially inwardly of said annular orifice structure for abutment against said wheel to position the apparatus with respect to the wheel, and inlet means on said orifice structure for supplying air under pressure to the orifice means.

Claims 1, 12 and 13 are the allegedly infringed claims, and it is the validity of these claims that is challenged by Hennessy.

The doctrine of double patenting grows out of the recognition by the Supreme Court in *Miller* v. *Eagle Manufacturing Co.,* 151 186 (1894), of the principle that "no patent can issue for an invention actually covered by a former patent". 151 U.S. at 198. It is a set of judicially created rules, *Ropat Corp.* v. *McGraw-Edison Co.,* 535 F.2d 378, 380 (7th Cir. 1976); *Application of Braithwaite,* 379 F.2d 594, 602 (Cust. & Pat. App. 1967) (Smith, J., concurring), which act to deny the patentability of co-pending applications regarding an invention upon which a patent has already been granted to the same inventor. *See generally,* 1 Deller's Walker on Patents § 62 (62nd ed. 1964). Double patenting analysis therefore is employed where an application that satisfies the test of patentability under 35 U.S.C. §§ 102, 103 has been filed by a person who already holds a relevant patent.

As the Court of Customs and Patent Appeals observed in *Application of White,* 405 F.2d 904, 906 (Cust. & Pat. App. 1969), such a subsequent invention will fall into one of three categories: unobvious, obvious, and same invention. The subsequent application may represent an attempt to twice claim the same invention. Or it may be an attempt to patent an obvious improvement or modification of a claim patented in the first-to-issue patent. Finally, it may be that the new invention constitutes an unobvious variant of the claims of the previously-issued patent.

The impact of the double patenting doctrine on an invention varies according to which of the three categories the invention falls into. *See generally Application of Thorington,* 418 F.2d 528 (Cust. & Pat. App. 1969); *Application of Eckel,* 393 F.2d 848 (Cust. & Pat. App. 1968). If the invention is "unobvious", in the sense discussed in the preceeding paragraph, there can, of course, be no double patenting. *Application of White,* 405 F.2d at 906. If the invention is the "same invention", the "same invention" aspect of double patenting analysis will apply. This branch of the double patenting doctrine has been anchored in 35 U.S.C. § 101, which provides that

> [w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain *a* patent therefor. . . .

(emphasis added). It is intended to bar an inventor from obtaining multiple patents on a single invention. The filing of a terminal disclaimer does not avoid the effect of this type of double patenting. If the invention is "obvious", within the meaning of the previous paragraph, the "obviousness" type of double patenting analysis will apply. This branch of the doctrine has no statutory basis. Rather, it is

> a judicially-created doctrine grounded in public policy . . . and primarily intended to prevent prolongation of monopoly.

*Application of Thorington,* 418 F.2d at 534. Accordingly, this type of double patenting objection can be defeated by a terminal disclaimer. *Id.*

Because that portion of the life of the '705 patent extending beyond the expiration date of the '469 patents has been disclaimed, Hennessy can only challenge the validity of the '705 patent under the "same invention" aspect of double patenting doctrine. Thus, the question before the court is whether claims 1, 12, and 13 of the '705 patent constitute the "same invention" that was claimed in the '469 patent.

The parties agree that the law governing the definition of "same invention" is to be found in *In re Eckel,* 393 F.2d 848 (Cust. & Pat.App. 1968), and its progeny. At least under the circumstances of this case, the court concurs.

As refined in *Application of Vogel,* 422 F.2d 438 (Cust. & Pat.App. 1970), and *Application of Avery,* 518 F.2d 1228 (Cust. & Pat.App. 1975), the test is one of cross-readability. This test, in the words of the *Vogel* court, asks

> whether one of the claims could be literally infringed without literally infringing the other. If it could be, the claims do not define identically the same invention.

In assessing Hennessy's charge that claims 1, 12, and 13 of the '705 patent are invalid for double patenting, the court bears in mind the fact that the presumption of validity is applicable in this context. *TSC Industries, Inc.* v. *International Harvester Co.,* 406 F.2d 53 (7th Cir. 1968). Moreover, the court notes that the presumption is strengthened where, as here the Examiner who approved the issuance of the later patent not only referenced to the earlier-issued patent, but was the same Examiner who allowed the latter patent.

The court holds that Hennessy has not succeeded in proving that the claims are invalid for double patenting. The claims of the '469 patent could be infringed without literally infringing claims 1 and 12 of the '705 patent by manufacturing and using an annular bead seater which is not equipped with the positioning/holding apparatus disclosed in the latter patent. Claim 13 of the '705 patent is not cross-readable on the claims of the '469 patent both for this reason and because claim 13 does not require that the bead seating apparatus consist of an annular "ring".

The court also rejects Hennessy's anticipation and obviousness attacks upon the '705 patent. 35 U.S.C. § 102(b) does not represent a statutory bar against the patentability of the claims of the '705 patent. The device disclosed in the '469 patent was not first publicly demonstrated or sold until mid-April, 1970, less than one year prior to the date of the filing of the application that matured into the '705 patent. Hennessy does not suggest, and the court does not find, that any of the claims subsequently added to this application by amendment are not entitled to enjoy the effective filing date of November 16, 1970. Thus, none of the circumstances mentioned in section 102(b) is present in this case. *Illinois Tool Works, Inc. v. Solo Cup. Co.*, 461 F.2d 265 (7th Cir.), *cert. denied*, 407 U.S. 916 (1972), teaches that the '469 patent does not constitute prior art with regard to the '705 patent within the meaning of 35 U.S.C. § 102(a). Nor is it considered to be prior art with regard to the '705 patent for the purposes of 35 U.S.C. § 103. *See, e.g., Nashua Corp.* v. *RCA Corp.*, 431 F.2d 220 (1st Cir. 1970); *Weatherhead Co.* v. *Drillmaster Supply Co.*, 227 F.2d 98, 101 (7th Cir. 1955); *Application of Braithwaite*, 379 F.2d 594, 600 n.4 (Cust. & Pat.App. 1967); *Application of Braithwaithe*, 379 F.2d 594, 603 n.5 (Cust. & Pat.App. 1967) (Smith, J., concurring); *Application of Robeson*, 331 F.2d 610, 612 n.2 (Cust. & Pat.App. 1968).[14] Hence, the only prior art reference with regard to the '705 patent that was not available as prior art for the purpose of sections 102(a) and 103 in determining the validity of the '469 patent is United States Patent 3,669,175, entitled "Bead Expander", filed September 29, 1969, and issued to B. L. Sorenson, et al., on June 13, 1972. This patent, like the prior art relative to the '469 patent, teaches the necessity of a mechanical seal to the bead seating of "problem" tubeless tires. Accordingly, Hennessy's anticipation and obviousness argument fail for the same reasons that similar contentions concerning the validity of the '469 patent failed.

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[14] Hennessy does not contend that the '469 patent constitutes prior art with regard to the '705 patent under section 102(a) or section 103.

Therefore, the court finds that Hennessy has not successfully met its burden of proving claims 1, 12, and 13 of the '705 patent invalid.

### *The '871 Patent*

The '871 patent, which is a continuation-in-part of the '705 patent, matured from an application filed in the Patent Office on July 26, 1971.[15] The application was amended at the request of the applicant, which request was made by a letter filed on September 5, 1972, before the Patent Office had taken any action thereon. On September 15, 1972 and September 25, 1972 the Patent Office Examiner, who was the same Examiner who had already approved the '469 patent and the '705 patent, rejected several independent claims of the application as obvious in light of the '469 patent. On November 9, 1972, Corless' assignee, B & J, filed an amendment adding new specifications and proposed claims 14-17 to his application and requesting a declaration of interference with respect to the added claims. On the same date, B & J also filed a terminal disclaimer disclaiming the "terminal part of any patent granted on the above-identified application which would extend beyond the expiration date of [the '469 patent]". After proposed claims 14-17 prevailed in the interference proceeding with certain claims of United States entitled "Improved Tire Bead Seater", Patent 3,683,991, filed February 11, 1971 and issued to F. H. Ruhland on August 15, 1972, the Examiner allowed all of the claims except proposed claim 15 on January 9, 1973. He rejected that claim and demanded the deletion of a portion of the specifications that had been added to the application in the amendment dated November 9, 1972. This language was rejected by him on the ground that it was impermissibly directed to "new matter" under 35 U.S.C. § 132. By means of a letter filed February 1, 1973, the offending claim and specification language were deleted from the application, and the '871 patent was issued on April 23, 1974.

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[15] 5 Deller's Walker on Patents § 432, at 32 defines a continuation-in-part as

> an application filed during the lifetime of an earlier application filed by the same applicants repeating some substantial position or all of the earlier application and adding matter not disclosed in the earlier application.

(footnote deleted).

As issued, the '871 patent contains 16 claims. These include four independent and nine dependent apparatus claims and two independent and one dependent method claims.

Claims 1-3 were originally filed in the Patent Office as claims 12-14 in Corless' application that matured into the '705 patent. They were deleted from that application by the claimant's amendment filed July 29, 1971. The remarks accompanying that letter requesting the Patent Office to amend the application explained that "[c]laims 12-14 have been cancelled because the structure recited therein is being disclosed and claimed in a Continuation in Part Application".

Claim 1 discloses an

> [a]pparatus for inflating tubeless tires on a vehicle wheel having oppositely disposed rim portions comprising a tire mounting device including a base, means on said base to receive a vehicle wheel, clamp means for engaging the wheel, said device including means for mounting and de-mounting tires on a wheel held by said clamp means, tire bead seating apparatus

> on said base including an annular tube of larger outer diameter then the wheel to surround the lower rim of a wheel set onto the base, orifice means around the inner periphery of the tube for injecting a substantially continuous ring of air under pressure through the space between the wheel rim and the bead of a non-inflated tubeless tire mounted on the wheel and inlet means on the tube for supplying air under pressure to the interior of the tube.

Claim 2 defines the above-mentioned clamp means and inlet means and characterizes the annular tube as a series of discrete arcuate segments arranged in a circular pattern. Claim 3 adds a mechanism to the apparatus described in claim 1 which could move the apparatus towards or away from the wheel and tire assembly.

Claim 4 is an independent apparatus claim, upon which claims 5-9 are dependent. It discloses an

> [a]pparatus for inflating tubeless tires on a vehicle wheel having oppositely disposed rim portions, comprising a tire mounting device including a base, means on said base to receive a vehicle wheel, said device including means for mounting and de-mounting tires on a wheel tire bead seating apparatus on said base including an annular orifice structure including orifice means provided around a periphery of larger diameter than the diameter of a wheel to surround the lower rim of a wheel set onto the base for injecting air under pressure around the periphery of the wheel through the space between the wheel rim and the bead of a noninflated tubeless tire mounted on the wheel in sufficient amounts, without using a mechanical seal, so that more air will be injected into the tire than may escape with the result that the tire will be expanded to cause the tire beads to sufficiently close on the wheel rims to permit complete inflation through the conventional valve, and inlet means on said orifice structure for supplying air under pressure to the orifice means.

Claim 5 characterizes the orifice structure of claim 4 as an annular tube. Claims 6 and 7 modify claim 4 in the same way that claims 2 and 3 modify claim 1. Claim 8 adds a bead breaking structure to the apparatus defined in claim 4, and further describes the orifice structure as a ring-like tubular passageway provided with a gap through which the bead breaking structure may pass. Claim 9 teaches the addition of a shelf structure, equipped with an orifice structure in the form of an annular passageway on its periphery, to the top of the base of the mounting device.

Claims 10 and 11 are two of the three method claims of the '871 patent.

Claim 10 teaches

> [t]he method of inflating a tubeless tire on a vehicle wheel comprising the steps of mounting a vehicle wheel and non-inflated tubeless tire assembly on a support surface of a tire mounting device, injecting air under pressure into the tire peripherally around the wheel through the space between the wheel rim and the tire bead adjacent the support surface in sufficient amounts, without using a mechanical seal, so that more air is injected into the tire than may escape with the result that the tire is expanded to cause the tire beads to sufficiently close on the wheel rims to permit complete inflation through the conventional tire valve, and then completely inflating the tire by injecting air under pressure through the conventional tire valve.

Claim 11 adds to the above-recited method the step of lifting the tire so that the top bead makes contact with the wheel rim prior to the injection of air into the cavity formed by the tire carcass and the wheel.

Claim 12 discloses an

> [a]pparatus for inflating tubeless tires on a vehicle wheel having oppositely disposed rim portions, comprising a tire mounting device including a base, means

> on said base to receive a vehicle wheel, said device including an orifice for injecting air under pressure through the space between the wheel rim and the bead of a non-inflated tubeless tire mounted on the wheel in sufficient amounts, without using a mechanical seal, so that more air will be injected into the tire than may escape with the result that the tire will be expanded to cause the tire beads to sufficiently close on the wheel rims to permit complete inflation through the conventional valve, and inlet means on said orifice structure for supplying air under pressure to the orifice means.

Claim 13 reveals

> [t]he method for inflating a tubeless tire on a vehicle wheel comprising the steps of mounting a vehicle wheel and non-inflated tubeless tire assembly on a support surface of a tire mounting device, injecting air under pressure into the tire through the space between the wheel rim and the tire bead adjacent the support surface in sufficient amounts, without using a mechanical seal, so that more air is injected into the tire than may escape with the result that the tire is expanded to cause the tire beads to sufficiently close on the wheel rims to permit complete inflation through the conventional tire valve, and then completely inflating the tire by injecting air under pressure through the conventional tire valve.

Claim 14, upon which claims 15 and 16 are dependent, teaches an

> [a]pparatus for seating the bead of a tubeless tire on the rim of a wheel and inflating the tire comprising:
>
> a. a plenum in the form of a discontinuous ring having an inlet for receiving air under relatively high pressure therein;

> b. a plurality of jets in communication with said plenum for forming relatively high velocity jets of air emanating from said plenum; and
>
> c. said jets being positioned for directing said jets of air into the tire between the rim and the bead.[16]

Claim 15 describes the plenum of claim 14 as at least partially accurate. Claim 16 discloses the presence of at least 12 jets in the apparatus disclosed in claim 14.

Hennessy raises several arguments against the validity of the claims of the '871 patent. First, it maintains that claims 12, 14, 15, and 16 are invalid under the late claiming doctrine of *Muncie Gear Works, Inc.* v. *Outboard Marine & Manufacturing Co.*, 351 U.S. 759 (1942). Second, it contends that the patent is invalid for double patenting. Third, Hennessy claims that the claims at issue are void under the doctrine of *Lincoln Engineering Co.* v. *Stewart Warner Corp.*, 303 U.S. 545 (1938). Fourth, it says that the claims are unpatentable for obviousness.

In pertinent part, 35 U.S.C. 102(b) provides that a person shall not be entitled to the issuance of a patent if the invention was

> in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States.

The late claiming doctrine of *Muncie Gear* holds that an inventor may not achieve by amending a pending application what he is prohibited by section 102(b) from accomplishing by way of a new application. *Faulkner* v. *Baldwin Piano & Organ Co.*, 561 F.2d 677 (7th Cir. 1977), *cert. denied*, 435 U.S. 905 (1978). Hennessy contends that claim 12 is invalid under this doctrine because it was added by amendment to the application that ultimately matured into the '871 patent on September 5, 1972, which is more than one year after the first sales of the device embodying the Corless inventions, which occurred in May, 1970. Hennessy also argues that claims 14-16 are invalid for late claiming on the ground that they were added to the application on November 9, 1972, which is more than a year after Hennessy publicly disclosed its discontinuous ring inflater, which disclosure occurred in September, 1971.

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[16] Claim 14 is identical with claim 1 of the Ruhland patent.

The court will first address Hennessy's argument concerning the validity of claims 14-16. 35 U.S.C. § 132[17] and 37 C.F.R. § 1.118[18] prohibit the introduction of "new matter" into an application by way of amendment.[19] By allowing claims 14-16, all of which were added to the application that matured into the '871 patent by the amendment dated November 9, 1972, the Examiner in the

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[17] 35 U.S.C. § 132 provides, in pertinent part, that

> [n]o amendment shall introduce new matter into the disclosure of the invention.

[18] 37 C.F.R. § 1.118 states that

> [i]n original applications, all amendments of the drawings or specifications, and all additions thereto, must conform to at least one of them as it was at the time of the filing of the application. Matter not found in either, involving a departure from or an addition to the original disclosure, cannot be added to the application even though supported by a supplemental oath, and can be shown or claimed only in a separate application.

[19] "New matter" is matter that an original application discloses to a person skilled in the applicable art. *See* Technion Instruments Corp. v. Coleman Instruments Corp., 385 F.2d 391, 393 (7th Cir. 1967); Application of Wolfensperger, 302 F.2d 950, 985 (Cust. & Pat. App. 1962). The Manual of Patent Examining Procedure, 3rd Ed., instructs Examiners to "be on the alert to detect new matter", 706.03(o), and to reject amendments introducing new matter into pending applications. 608.04; 706.03(o).

Patent Office clearly found them not to constitute "new matter" with respect to either the '705 patent or the application for what became the '871 patent. This determination is presumed to be correct. *Technion Instruments Corp.* v. *Coleman Instruments Corp.*, 385 F.2d 391, 393 (7th Cir. 1967). Hennessy has not presented the testimony of any qualified experts in opposition to this determination,[20] and the court concludes that these claims do not constitute "new matter" with respect to either the '705 patent or the original application for the '871 patent. Thus, there was no late claiming with regard to these claims. *See, e.g., Rel-Reeves, Inc.* v. *United States,* 534 F.2d 274, 280 (Ct. Cl. 1976); *Acme Highway Products Corp.* v. *D. S. Brown Co.,* 431 F.2d 1074 (6th Cir. 1970), *cert. denied,* 401 U.S. 956 (1971); *Binks Mfg. Co.* v. *Ransburg Electro-Coating Corp.,* 281 F.2d 252, 257 (7th Cir.), *cert. granted,* 364 U.S. 926 (1960), *writ dismissed,* 366 U.S. 211 (1961); *Illinois Tool Works, Inc.* v. *Continental Can Co.,* 273 F.Supp. 94, 123 (N.D. Ill. 1967), *aff'd* 397 F.2d 514 (7th Cir. 1968).[21]

In regard to the *Muncie Gear* objection to claim 12, the court notes that the Examiner implicitly found that it, too, did not insert "new matter" into the then pending application. Again, Hennessy attempts to rebut the presumption of correctness attached to this determination solely by observing that no prior claim in any of the three patents in suit literally claimed what claim 12 claims—"an orifice". However, once again, Hennessy has failed to rebut this presumption.

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[20] Indeed, Charles Rummler, a witness for Hennessy whose sole area of expertise is patent law, virtually conceeded at trial that the discontinuous ring found in claims 14-16 was disclosed by the '705 patent.

[21] The court also finds that these claims meet the tests of 35 U.S.C. § 120, *See* Bendix Corp. v. Balax, Inc., 421 F.2d 809 (7th Cir.), *cert. denied,* 399 U.S. 911 (1970), Technion Instruments Corp. v. Coleman Instruments Corp., 385 F.2d 391, 393 (7th Cir. 1967), such that they are entitled to enjoy the effective filing date of the '705 patent.

The original application for the '871 patent adequately disclosed the subject matter of claim 12. For instance, claim 4 is identical to claim 12, except that it substitutes

> an annular orifice structure including orifice means provided around a periphery of larger diameter than the diameter of a wheel to surround the lower rim of a wheel set onto the base for injecting air under pressure around the periphery of the wheel

for the latter claim's "an orifice for injecting air under pressure". These differences are not significant. "Orifice means" comprehends "an orifice"—"inlet means" is used in the same application to describe one inlet. The specifications expressly state that it is not necessary to employ an annular orifice structure in order to utilize the invention disclosed in the application. The "periphery" language is plainly intended merely to reflect the fact that air to be injected into the window must be injected from a position beyond the wheel rim if a bead is to be seated without using a mechanical seal. This requirement is clearly present in the language of claim 12. Hence, the court is not convinced that the Patent Office Examiner's conclusion that claim 12 did not constitute "new matter" with respect to the application that matured into the '871 patent was erroneous.

This does not, however, resolve the question of whether claim 12 is invalid for late claiming, because the filing date of the application that matured into the '871 patent, July 26, 1971, is more than twelve months after May, 1970. Consequently, late claiming will only be avoided if claim 12 is entitled, under 35 U.S.C. § 120,[22]

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[22] 35 U.S.C. § 120 reads as follows:

> An application for patent for an invention disclosed in the manner provided by the first paragraph of section 112 of this title in an application

to enjoy the benefit of the earlier filing date of the '705 patent, which was co-pending with the original application for the '871 patent.

The court finds that claim 12 is entitled to the benefit of an effective filing date of November 16, 1970.[23] *Technion Instruments Corp.* v. *Coleman Instruments Corp.,* 385 F.2d 391 (7th Cir. 1967), teaches that

> [t]o come within the purview of 35 U.S.C. § 120, the following qualifications must be met by the later patent application. 1) The same invention must be disclosed. 2) It must be filed by the same inventor. 3) It must be filed before patenting of the first application. 4) It must contain a specific reference to the earlier filed application. If the conditions are met, the effective filing date of the later application is that of the earlier application.

385 F.2d at 393. These tests are met in this case. The application that matured into the '871 patent, as originally filed, adequately disclosed the same invention disclosed by the then-pending application for the '705 patent. Specifically, claim 12 of the '871 patent describes, with two modifications, the apparatus of claim 13 of the '705

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[22] (Continued)

> previously filed in the United States . . . by the same inventor shall have the same effect, as to such invention, as though filed on the date of the prior application, if filed before the patenting or abandonment of or termination of proceedings on the first application or on an application similarly entitled to the benefit of the filing date of the first application and if it contains or is amended to contain a specific reference to the earlier filed application.

[23] Hennessy does not contend otherwise.

patent.[24] The former claim differs from the latter in that it lacks claim 13's positioning/holding structure and contains the additional element of the modified tire mounting device. Both of these modifications were taught by the original disclosures of the application for the '705 patent. In sum, the application for the '705 patent, which was co-pending with the application for the '871 patent, adequately, *see Bendix Corp.* v. *Balax, Inc.,* 421 F.2d 809 (7th Cir.), *cert. denied,* 399 U.S. 911 (1970), disclosed the same invention as that claimed in claim 12. The amendment inserting claim 12 into the application for the '871 patent was filed by Corless' appointed attorneys. Finally, the application for '871 patent contained a specific reference to the co-pending application.

Because claim 12 is entitled to the benefit of an effective filing date of November 16, 1970, Hennessy's charge of late claiming must be rejected.

The court concludes that the same fate must befall Hennessy's *Lincoln Engineering*-based attack on claims 1-13 of the '871 patent. These claims involve the combination of a modified tire mounting device and a tire bead seater and inflater in one apparatus. This combination had been known in the tire inflation art prior to the filing of the application for this patent, *see, e.g.,* the above-mentioned Riggs patent, but always in the context of tire bead seating and inflation mechanisms reliant for their efficacy upon an initial mechanical seal. After revolutionizing the field of tubeless tire inflation through his invention of the device revealed by the '469 patent, Corless naturally sought to patent that invention in combination with a tire mounting device.

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[24] Claim 13 was inserted into the application for the '705 patent by an amendment filed with the Patent Office July 29, 1971. By allowing the claim, the Examiner found it not to constitute "new matter" with respect to the application. Although it questions the permissible breadth of claim 13, Hennessy has not challenged this determination, and the court concludes that the presumption of its correctness has not been rebutted.

In *Lincoln Engineering,* the Supreme Court held that

> [t]he mere aggregation of a number of old parts or elements which, in the aggregation, perform or produce no new or different function or operation than that theretofore performed or produced by them, is not patentable invention. And the improvement of one part of an old combination gives no right to claim that improvement in combination with other old parts which perform no new function in the combination.

303 U.S. at 549-550 (footnotes omitted). However, at the very least, this ruling has been severely limited by the Court's subsequent decision in *Williams Manufacturing Co.* v. *United Shoe Machinery Co.,* 316 U.S. 364 (1942). This court shares the view of the Second Circuit Court of Appeals that

> subsequent history militates against an expansive application of the Court's reasoning in *Lincoln Engineering.*

*Jamesburg Corp.* v. *Litton Industrial Products, Inc.,* 586 F.2d 917, 924 (2d Cir. 1978), *cert. denied,* 99 S.Ct. 1503 (1979).

Under the facts of this case, the court can see no reason to apply the doctrine of *Lincoln Engineering* to invalidate these claims. Any device that infringes them would also infringe one of the earlier patents. The disclaimer of that portion of the life of the '871 patent extending beyond the life of the '469 patent eliminates the possibility that the upholding of these claims could improperly extend Corless' monopoly over his bead seating invention beyond the 17 year statutory limit. Indeed, the addition of the elements concerning the tire changer machine narrows rather than broadens the claims. Further, this is not a lawsuit against a contributory infringer. *See, Jamesburg Corp.* v. *Litton Industrial Products, Inc.,* 586 F.2d at 924. Moreover, this case does not concern an attempt to patent a combination of which all the elements are old.[25] Finally, all of the elements of the claims must cooperate to perform the desired end of the tire bead seating and inflation. *Cf. Reese* v *Elkhart Welding and Boiler Works, Inc.*, 447 F.2d 517 (7th Cir. 1971.)[26] Therefore, the court does not find the rule of *Lincoln Engineering* applicable to this case, and Hennessy's overclaiming argument falls.

Turning next to Hennessy's double patenting objection to the '871 patent, the court again notes that a terminal disclaimer has been filed in the Patent Office disclaiming the portion of the life of the '871 patent extending beyond the life of the '469 patent. Hence, the validity ot the '871 patent can only be challenged under the "same invention" aspect of the double patenting doctrine. As such, the question before the court is whether the claims of the '871 patent are cross-readable on the claims of the '705 patent or the '469 patent.

Upon examination of the three patents, the court finds that the claims of the '871 patent are not cross-readable on the claims of the earlier filed patents. None of the former claims requires the "inwardly extending structure" that is an element of each of the latter claims. Moreover, with the exception of claims 14-16, each of the claims of the '871 patent require the presence of a modified tire mounting device, which is not required by the claims of the other two patents.

Accordingly, Hennessy has not proven the '871 patent invalid for double patenting.

Hennessy does not contend, and the court does not find, that the '469 patent or the '705 patent constitute prior art with regard to the '871 patent, within the meaning of 35 U.S.C. § 103. Therefore, the court rejects Hennessy's obviousness attacks on the validity of claims 1, 4, 5, 8, 10-12 and 14-16 for the '871 patent for the same reasons that it rejected similar contentions concerning the validity of the '469 patent.[27]

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[25] The Corless inflater does not constitute prior art with regard to the '871 patent. If it did, the court would find the combination claims invalid under section 103, despite the difficulties encountered by Hennessy's engineers in fashioning a device embodying the combination.

[26] The *Reese* court did not consider the impact of *Williams Manufacturing Co.* upon the rule of *Lincoln Engineering*.

Accordingly, the court finds all of the contested claims of the '871 patent to be valid.

## INFRINGEMENT

35 U.S.C. § 271(a) provides that

> [e]xcept as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.

Infringement may be shown in one of two ways. On the one hand, infringement is proved if the accused device falls literally within a claim. As the Supreme Court remarked in *Graver Tank & Manufacturing Co.* v. *Linde Air Products Co.*, 339 U.S. 605 (1950),

> [i]n determining whether an accused device or composition infringes a valid patent, resort must be had in the first instance to the words of the claim. If accused matter falls clearly within the claim, infringement is made out and that is the end of it.

339 U.S. at 607. On the other hand, under the doctrine of equivalents, infringement will also be found, despite the fact that the accused device is not an exact copy of the patent device,

> "if [the former] performs substantially the same function in substantially the same way to obtain the

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[27] Hennessy does not contend that any prior art refererences other than those previously mentioned in this opinion render the '871 patent's claims void for obviousness.

> same result." [citation omitted]. The theory on which it is founded is that "if two devices do the same work in substantially the same way, and accomplish substantially the same result, they are the same, even though they differ in name, form, or shape". [citation omitted].

339 U.S. at 608. In either case, it is the claims of the allegedly infringed device that define the scope of the patent grant. *CTS Corp.* v. *Piher International Corp.*, 527 F.2d 95, 100 n.16 (7th Cir. 1975), *cert. denied*, 424 U.S. 978 (1976). And in either case, the burden of proving infringement rests on the party alleging it. *Decker* v. *Webcor, Inc.*, 289 F.2d 357, 360 (7th Cir. 1961), *cert. denied*, 368 U.S. 970 (1962). Infringement must be proven by a preponderance of the evidence.

The structures accused of infringement in this suit are the Coats manufactured, Hennessy marketed inflaters known as Inflat-Air and Air-Flate. Each has been manufactured in varying forms so that they may be attached to the different models of Coats tire changers. Howevei, neither party contends that these minor variations effect the infringement issue in any way.

The Inflat-Air structure is an annular tube bent into a circular arc of approximately 260°. The ends of the tube are seated, and a gap exists between them. About 20 holes of equal size are located on this tube. Except for the holes adjacent to the gap, each of the holes is separated by an equal distance from the holes on either side of it. All of the holes are directed towards the center of the tire changing machine.[28]

The Air-Flate device is a U-shaped steel tube whose ends are sealed. The tube embraces an arc of approximately 260°. It mounts four nozzles, each of which is directed toward the center of the tire changing machine. These nozzles lie virtually on the circumference of a circle, and they are spaced at intervals of 90°.

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[28] Coats and Hennessy are no longer making or selling the Inflat-Air device. The Air-Flate structure was first developed by Hennessy in mid-1973.

James Holladay (Holladay), defendant's primary technical expert and the developer of the Air-Flate structure, conceded at trial that these two accused devices operate on the basis of the same principle. This court agrees, finding that the differences between the two devices are reducible to the scientific fact that a decrease in the number of holes injecting air into a space can be compensated for by increasing the size of—and the quantity of air emerging from—the remaining holes.

B & J accuses the Inflat-Air device of infringing claims 1-4, 11, and 16-19 of the '469 patent, claims 1, 12 and 13 of the '705 patent, and claims 1, 4, 5, 8, and 10-16 of the '871 patent. It alleges that the Air-Flate structure infringes claims 6-19 of the '469 patent, claims 12 and 13 of the '705 patent and claims 4, 8, 14 and 15 of the '871 patent.

Hennessy's primary argument against infringement is that neither of the accused devices involves a "substantially continuous ring of air under pressure", and that B & J is estopped by Corless' dealings with the Patent Office and by a statement made by Corless at trial from asserting any broader scope for its patent rights, either through the literal language of its claims that do not expressly require said ring or by way of the doctrine of equivalents.

Hennessy maintains that the amendment of the application that matured into the '469 patent, which amendment was filed on January 19, 1970, before the Patent Office had taken any action on said application, created a file wrapper estoppel that prevents the application of the doctrine of equivalents to find infringement in the case of an accused device which lacks the feature of a "substantially continuous ring" of air inserted into the language of the claims of the application for the '469 patent by that amendment. It then states, citing *C-Thru*

*Products* v. *Uniflex, Inc.*, 262 F. Supp. 213, 217-219 (E.D. N.Y. 1966), *aff'd,* 397 F.2d 952 (2d Cir. 1968), that Corless could not avoid this file wrapper estoppel by filing a later, broader application with the Patent Office.

> The doctrine of file-wrapper estoppel is that an applicant who acquiesces in rejection of his patent claim and accordingly modifies it to secure its allowance, will not subsequently be allowed to expand (or narrow) his claim by interpretation to include limitations originally given up, or their equivalents.

*Ellipse Corp.* v. *Ford Motor Co.*, 452 F.2d 163, 168 (7th Cir. 1971), *cert. denied,* 406 U.S. 948 (1972) (citations omitted).

In this Circuit, the law is that "[a] necessary condition for the establishment of a file wrapper estoppel is that the patentee must have narrowed his claim in response to an objection by the Patent Office in order to obtain the patent". *Bishman Manufacturing Co.* v. *Stewart & Warner Corp.*, 380 F.2d 336, 340 (7th Cir.), *cert. denied,* 389 U.S. 397 (1967). Since no objection—or any other communication from the Patent Office to Corless—preceded the amendment in question, the doctrine of file wrapper estoppel is inapplicable to this case.[29]

Hennessy also urges the court to restrict the claims of Corless' patents to devices employing a "substantially continuous ring of air under pressure" because he stated at trial that without such a ring, no device not including a mechanical sealing element could in fact seat the beds of and inflate a problem tubeless tire. In light of Hennessy's contention that its devices accomplish this allegedly impossible result, the court finds this argument somewhat disingenuous. The court also notes that Corless' expertise in fluidics—the art relevant to making such a determination—has not been established.

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[29] If this were not so, Application of Jentoff, 392 F.2d 633, 640-641 (Cust. & Pat. App. 1968), holds that the proper course is not to invalidate any subsequently filed claims on the ground that they impermissibly attempt to avoid a file wrapper estoppel, but to construe them as subject to the estoppel. Hennessy has, in this case, requested that the court follow this course of action.

While the court is of the opinion that the purpose of the amendment was merely to reiterate to the Patent Office the fact that, unlike all of the prior art—including the Bishop patent referred to in the letter requesting the entry of the amendments at issue—the '469 device does not require the use of a mechanical seal,[30] it is not necessary for the court to resolve the file wrapper estoppel questions at this time. This is because there is no occasion to resort to the doctrine of equivalents—hence, file wrapper estoppel is unavailable as a defense—where the claims in suit read literally upon the accused structure. *Paper Converting Machine Co.* v. *FMC Corp.*, 409 F.2d 344, 353-354 (7th Cir.), *cert. denied,* 396 U.S. 877 (1969).

The court finds that the accused devices do, in fact, operate by injecting a "substantially continuous ring of air" into the window. The court comes to this conclusion after having witnessed the actual operation of Corless' commercially sold embodiment of the '469 invention, the Omega jet, and a videotape of the operation of the accused Air-Flate structure. The court has found the testimony of, and, to an even greater extent, the in-court demonstrations conducted by, plaintiff's expert witness, George B. Richards, to be particularly helpful in terms of furthering its understanding of the operation of the various devices and of the principles of fluidics that underlie their operation.[31] The court has concluded that the evidence concerning the air-flow tests conducted by Holladay is not persuasive evidence to the contrary because of the fact that they involved the spraying of liquid paint by the inflater's air jets, which substance concededly has different air flow characteristics than does gas or air. Finally, the court, as a factual matter, simply rejects Hennessy's scientific explanations of the operation of the accused devices, which, if pressured to their irresistable logical conclusion, would even teach that the apparatus claimed in the '469 patent itself does not operate by reason of the injection of a substantially continuous ring of air into the window.

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[30] It may indeed be true, as that letter indicates, that without the one mechanical seal, the Bishop device would not work. Such, in any case, is the teaching of that patent. Further, if it did function without a mechanical sealing element, the Bishop device would be working according to fundamentally different principles than those taught by the patent.

These major points of dispute having been resolved, the court is left with a number of minor defenses raised by Hennessy against the charged infringement. The court finds all of these arguments without merit.

In its Post Trial Brief, Hennessy argues that the Inflat-Air structure does not infringe any of the claims relied on by J & B because it "does not inject one peripherally around the wheel." The court disagrees, because, as noted above, the court construes the use of the terms "periphery" and "peripherally" in the claims, in this context, as solely indicating that the air must be injected into the window from its outside periphery. Hennessy also maintains therein that infringement of claims 1-4 and 11 of the '469 patent is avoided by virtue of the fact that those claims "required that the orifice structure be placed *over* the wheel, not under as in the Inflat-Air". However, these are equivalent procedures, and, as Hennessy raises no file wrapper estoppel defense with regard to any aspect of the claims other than the "substantially continuous ring of air" language, infringement exists in this respect under the doctrine of equivalents despite the fact that the claims may not be literally infringed. Further, Hennessy claims non-infringement of method claims 17 and 18 of the '469 patent on the grounds that, in the Inflate-Air structure, injection of air through the tire valve is initiated before the discontinuance of the injection of air via the inflater, and that said discontinuance is achieved by use of a foot pedal. These are legally insignificant distinctions. The Inflat-Air device relies, in this respect, on substantially the same method of operation as the relevant claims of the '469 patent: the inflater achieves sufficient bead seating so that the tire can be inflated via the tire valve; the injection of air through the valve then inflates the tire; and this inflation occurs after the bead seating device has done its work. Finally, in its Reply Brief, Hennessy suggests that the '469 patent is not infringed because it requires an unbroken tube, the entire periphery of which is virtually over-populated with orifices. The court rejects this strained reading of the patent.

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[31] The court notes that Hennessy has offered the testimony of no expert with comparable expertise in the area of fluidics.

Having considered the arguments raised by Hennessy and having examined the patents and the accused device, the court holds that each of the claims cited by B & J is infringed by the Inflater-Air structure, either literally or by operation of the doctrine of equivalents.

Turning to the question of infringement of the claims of the three patents by the Air-Flate device, the court observes that Hennessy asserts the same non-infringement defenses with regard to the claims of the '469 patent that it raised in connection with the charges of infringement of those claims by the Inflat-Air apparatus. Those defenses are equally without merit in this context. The court also finds Hennessy's challenge to the allegations of infringement of claim 12 of the '705 patent and claims 4 and 8 of the '871 patent on the ground that the Air-Flate structure does not inject air "around the periphery" of the wheel to be unpersuasive because, as intimated above, the court construes this language in the claims as signifying that the air under pressure is to be injected into the window from the outside thereof. Nor does the court subscribe to Hennessy's restrictive reading of claim 12 of the '705 patent. Hennessy would have it that the

Air-Flate structure does not infringe that claim if B & J has shown that ambient air plays a role in the operation of the device (which, of course, Hennessy denies). But the court does not read the claims so narrowly. The claim only requires the injection from the orifice structure into the window of "sufficient" air under pressure to seat the bead to the extent that the tire can be inflated through the tire valve. It does not preclude the participation of ambient air, caused by the injection of air from the orifice structure, in the seating process. In either case, it is the jets emitted by the inflater that form the substantially continuous ring, even though a portion of that ring may consist of air not injected from within the inflater. Finally, Hennessy denies infringement of claims 12 and 13 of the '705 patent and claims 4, 8, 14, and 15 of the '871 patent on the ground that the Air-Flate structure is U-shaped, not circular. This is a legally insignificant distinction.

Based upon its examination of the patents in suit and the Air-Flate device, the court holds that each of the claims cited by B & J is infringed, either literally or by operation of the doctrine of equivalents, by that structure.

In conclusion, the court rules that B & J has proven that the Inflat-Air structure infringes claims 1-4, 11, and 16-19 of the '469 patent, claims 1, 12, and 13 of the '705 patent, and claims 1, 4, 5, 8, and 10-16 of the '871 patent and that the Air-Flate device infringes claims 16-19 of the '469 patent, claims 12 and 13 of the '705 patent, and claims 4, 8, 14, and 15 of the '871 patent.[32]

## LICENSE

As mentioned above, Hennessy became a non-exclusive licensee under the patents in suit under June 1, 1971. It now claims that this license constitutes an affirmative defense to the charge of infringement. B & J, on the other hand, contends that the license only granted Hennessy the right to make, use, and sell OEM machines. Consequently, it argues that Hennessy's manufacture and sale of Inflat-Air and Air-Flate "kits" was unlicensed. Indeed, B & J maintains that the sale of these kits constituted a breach of the license sufficient to render its purported termination of the license in November, 1971, effective. Alternatively, B & J says that the license was terminated by it in 1974 because of Hennessy's removal of the patent marking notice in violation of the terms of the license agreement.

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[32] Because the court has found actual infringement, it will not consider B & J's estoppel argument.

The parties filed cross-motions for summary judgment on the license issues well before the trial. This court, in an opinion dated October 19, 1976 (Opinion), which appears at 194 U.S.P.Q. 496, held that Hennessy could not assert license defense against the charge of infringement with regard to the manufacture and sale of kits, and that, in the event that such kits were found to infringe the patents in suit, their manufacture or sale did not constitute a breach of the licensing agreement. The court reserved judgment on the patent marking question.

Both parties have asked the court to reconsider this decision. After hearing substantial amounts of evidence at trial on the questions involved therein, the court reaffirms the conclusions that it reached in the Opinion. As to the patent marking issue, the court rules that B & J effectively terminated the license agreement in 1974.

### *Scope of the 1971 Licensing Agreement*

The language in the licensing agreement that pertains to the question of whether BCI granted Hennessy the right to make, use or sell kits is as follows:

> LICENSOR hereby grants to LICENSEE a non-exclusive license on the terms and conditions hereinafter set forth to make, have made, use and sell Tire Mounting Machines incorporating bead seating and inflation apparatus claimed in the following Patents and Patent Applications.

Hennessy argues that the word "incorporating" is ambiguous as to the time and place of incorporation, and that it should be construed against the scrivener, BCI, which was B & J's predecessor-in-interest. Hennessy further contends that Robert Hennessy (RH), the President of Hennessy, who conducted the negotiations with Caulkins that led to the granting of the license, reasonably believed that he had obtained for his company the right to make, use or sell kits as well as OEM machines. Next, Hennessy suggests that, on account of his years of dealings with Hennessy while he was with Atlas, Caulkins knew about Hennessy's *modus operandi*, which included a general practice of making new improvements available as conversion kit accessories to previous purchasers of its tire changers. Because Caulkins never expressly told RH that that policy could not be followed with regard to his bead seating apparatus, Hennessy claims that this case falls within the purview of Restatement of Contracts § 233(b), which states that

> where a party manifests his intention ambiguously, knowing or having reason to know that the manifestation may reasonably bear more than one meaning, and the other party believes it to bear one of those meanings, having no reason to know that it may bear another, that meaning is given to it.

Accordingly, Hennessy insists that the word "incorporating" should be construed to include incorporation of the bead seating and inflation apparatus into tire mounting machines in the field as well as in the shop.

The court is not persuaded by Hennessy's argument. First, the terms of the license themselves indicate that the parties intended the license to cover only OEM machines. The grant, after all, is to "make, have made, use and sell *Tire Mounting Machines* incorporating" Corless' inventions, not to "make, have made, use and sell *bead seating and inflation apparatus* for incorporation into Tire Mounting Machines". Moreover, since BCI had no patent rights with regard to "Tire Mounting Machines" *per se,* the only reasonable construction of the language of the grant is that it covered OEM machines and nothing more.

Second, even granting that, under *Ortman* v. *Stanray Corp.,* 437 F.2d 231 (7th Cir. 1971), parole evidence is admissible even in an "integrated" contract to discover what the parties truly meant by the term "incorporating", the court finds Hennessy's contentions unconvincing. Caulkins may well have been familiar with Hennessy's general policy of providing owners of old Coats tire changers with access to new improvements by marketing them as conversion kit accessories. However, RH could not have "reasonably" believed that the license included the grant of a right to do so in this case. While this precise question never arose prior to Hennessy's actual marketing of kits in September, 1971, other questions as to the scope of the license had already been explicitly been resolved.[33] Specifically, when Hennessy initially offered to obtain exclusive rights to make and market the patented devices in any form, Caulkins turned it down. Hennessy then proposed that it be able to manufacture and sell the devices in the form of a platform equipped with the apparatus as well as in connection with its sales of tire changing machines, although it acknowledged that it would not be licensed to manufacture hand-held devices like the Omega jet, the above-mentioned embodiment of the '469 patent. This suggestion, too, was rejected, as Caulkins would not allow Hennessy to make an inflation stand. Indeed, RH testified at trial that Caulkins "refused to relent as to that item". It should have been clear to RH that Caulkins intended to permit Hennessy to make and sell only OEM machines. as any other use by it of the patents would inherently undercut his efforts to sell the hand-held Omega jet ring, particularly insofar as Caulkins was familiar with Hennessy's standing in the tire changer market, which—given customer loyalty and the importance of reputable brand names and organization in marketing—would have allowed them to pre-empt the market for "retrofitting".[34] Thus, any belief that RH may have had that the agreement granted Hennessy the right to make and sell kits would have been unreasonable.[35]

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[33] The court believes that this question was not broached during the negotiations leading to the execution of the license agreement because, prior to the signing of that agreement, Hennessy did not intend to rely upon the license and did not have any idea about whether or not the device could be made and sold as a kit.

Additionally, the court does not believe that RH, or any other responsible officer of Hennessy, in fact so understood the contract on June 1, 1971. The court is of the opinion that RH never thought about the question of whether kits fell within the scope of the license until he was faced with B & J's objections after the kits were marketed. *See* note 33, *supra.*

For these various reasons, the court again holds that the license agreement did not grant Hennessy the right to make, use, or sell inflater kits covered by the Corless patents in suit.

### *Manufacture and Sale of Inflat-Air Kits as Breach*

Hennessy first publicly demonstrated a tire changing machine equipped with an Inflat-Air structure at an industry show in Cincinnati, Ohio, in mid-September, 1971. The Inflat-Air device employed at the show was designed and built immediately before the show, and was flown down to Cincinnati at literally the last minute and retrofitted onto (i.e., attached to) a tire changing machine.[38]

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[34] If, as seems reasonable, a kit could be made that would fit on tire changers made by Coats and still fit on those made by other companies, such a grant would have totally eliminated Caulkins' potential market.

[35] Obviously, the court also finds that Caulkins had no reason to suspect that the use of the word "incorporating" in the license agreement was ambiguous in the sense now suggested by Hennessy.

The machine was well received. In fact, it was so well received that owners of Coats tire changers asked if they could buy the Inflat-Air apparatus as an accessory which they could retrofit into their old tire changing machines. RH then made the formal decision to offer them kits, and their querries were answered in the affirmative.

Immediately after the Cincinnati show, Hennessy, with the aid of B & J personnel, shipped the Inflat-Air-equipped tire changing machine that it had displayed there to Germany, where it was demonstrated at an industry show at the end of September. Evidently, the sale of kits was more aggressively pursued at the European show, and it came to the attention of B & J.

On October 5, 1971, B & J's President, Wayne E. Jenson (Jenson), having been apprised of these developments, made an angry phone call to RH. Jenson's ire was aroused because he felt Hennessy had not been licensed to make or sell kits. Jenson threatened to cancel the licensing agreement if the kits were not withdrawn from the market, stating that the sale of kits threatened to interfere with his ability to sell the Omega jet rings that he had purchased from BCI along with its entire right, title, and interest in and to the patents in suit in July, 1971.

Three days later counsel for B & J sent Hennessy a letter stating that his client regarded the sale of Inflate-Air kits as a breach of the above-quoted paragraph of the license agreement. In addition, counsel wrote that the letter constituted written notice of breach as required by section 8 of the contract, and that if the breach was not cured, the license would be terminated in thirty days, in accordance with that provision.[37]

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[38] It had been designed to be able to be made and sold in kit form.

There followed a period of negotiations, during which the parties discussed the possibility of settling the dispute out of court. Although these discussions continued, B & J considered the license agreement terminated as of November 8, 1971. Finally, the negotiations collapsed and, on February 28, 1972, B & J returned Hennessy's check covering the royalty payments that Hennessy felt were due and owing for the last quarter of calendar year 1971. It continued thereafter to refuse to accept other tendered royalty payments.[38]

As mentioned above, the court, in its previously published opinion, ruled that Hennessy's manufacture and sale of the kits did not constitute a breach of the licensing agreement. In reaching this decision, the court relied on three facts. First and foremost was the fact that the agreement is an integrated contract lacking any express condition prohibiting Hennessy from making or selling kits.[39] Second was the fact that the inference of an implied negative condition is not "absolutely necessary" to effectuate the purpose of the agreement or to preserve either party's rights thereunder. Third was the fact that the evidence failed to show that the parties intended that such a negative condition exist.

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[37] Section 8 of the license agreement states that

> [i]f any breach or default in respect of any of the terms of this Agreement by either of the parties shall occur, the other of said parties shall have the right to give notice in writing specifying in detail the nature of the breach or default and if the alleged breach or default has, in fact, occurred and is not cured within thirty (30) days of the mailing of the notice, the other of said parties shall have the right to terminate this Agreement forthwith.

[38] Hennessy refused to accept B & J's cancellation of the license, and, even after it ceased tendering checks to B & J, it continued to accrue royalty payments on its books until the contractual maximum of $150,000 was reached. This occurred in January, 1974, if royalties on cover sales of kits and OEM machines equipped with the Inflat-Air inflaters are to be included. The $150,000 figure was reached in August, 1974, in terms of royalties on the OEM machines only. The court has not been informed as to whether any royalties were ever so accrued by Hennessy for Air-Flate devices.

B & J has requested that the court reconsider its decision as to the law applicable to the resolution of this dispute. In addition, it insists that the court's conclusion regarding the second and third facts that the court had stated to be critical to its ruling on this issue in the Opinion should be re-examined in light of the evidence adduced at trial. Thus B & J challenges the court's earlier disposition of this issue as erroneous both in terms of its legal predicate and its application of the law therein deemed applicable to the facts of this case.

The court disagrees with B & J on both counts. As an initial matter, the court continues to adhere to the position taken by it in the Opinion as to the law to be applied in this case. That is, the court believes that where the implication of a negative covenant into an integrated agreement is not "absolutely necessary . . . to effectuate the intention of the parties", S. Williston § 1295, at 36 (1968) (footnote omitted), no such negative convenant should be implied as a matter of law, especially in the face of an express integration clause.

Further, the court still finds that the parties did not intend the manufacture and sale of kits by Hennessy to constitute a breach of this licensing agreement. In the Opinion, the court observed that the licensor merely meant the license to specify what the licensee could do under the agreement, and not to prohibit it from doing anything. The live testimony at trial has not altered the court's conviction in this regard. B & J claims that the trial testimony establishes that Hennessy's officers did not share this view of the meaning of the contract. Such a unilateral belief, if it existed, would not satisfy the test articulated by Williston. But the court does not so interpret the testimony of RH and his brother James, an Executive Vice-President of Hennessy, upon which B & J relies. Rather, the court views their testimony, taken as a whole, as crudely attempting to state the obvious fact that when one is granted a license to do X, it is understood that one will only do X. Of course, their recognition of this truth does not show that anyone regarded the doing of "not-X"—i.e., the manufacture and sale of kits—as a breach *of the license agreement.*[40] In sum, the court remains unpersuaded that the implication of a negative covenant would "effect the intention of the parties".

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[39] Section 20 of the license agreement provides:

> THIS INSTRUMENT contains the entire and only agreement between the parties and it supersedes and merges all pre-existing agreements; any representation, understanding, promise or condition not expressly incorporated herein shall not be binding upon either party.

Finally, even if this were not so, the court still believes that the possibility of a patent infringement suit to protect B & J's rights as BCI's successor-in-interest under the agreement negates any inference that the implication of such a covenant is "absolutely necessary" to the effectuation of the parties' intentions. B & J suggests that the insertion by the court of a covenant not to manufacture or sell kits into the agreement is necessary because Caulkins consented to a severe limitation of royalties in exchange for such a promise and because by violating the "understanding", Hennessy totally destroyed the finite "retrofit" market to which Caulkins hoped to sell his hand held inflater. The court, however, does not regard the evidence as establishing the existence of any such *quid pro quo*,[41] and it finds the availability of relief in an infringement suit as sufficiently providing Caulkins with insurance against the destruction of the finite "retrofit" market by making available to him the retirement money that B & J says he wanted.[42]

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[40] Moreover, the testimony in question concerned the implications of Hennessy's manufacturing or selling hand-held inflaters and inflation stands, objects which Hennessy had sought the right to make and sell, not kits, which subject never came up during the negotiations.

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[41] The evidence does not establish that, during the negotiations leading to the execution of the license agreement, the parties connected the question of a limitation on royalties to the question of the scope of the grant. Rather, it seems that Hennessy was trying to obtain most possible rights *and* pay the least possible money, while Caulkins was attempting to relinquish the smallest possible portion of his patent monopoly *and* get the most possible money for licensing what he wished to license. In other words, it appears that these were two issues that were separately negotiated. This is not surprising in light of the fact that Caulkins viewed the scope of the grant as non-negotiable while Hennessy hoped never to have to rely on the rights obtained under the license.

[42] B & J also argues that the losses that it has allegedly incurred as a result of Hennessy's infringement of the patents cannot be recouped by means of recovery in an infringement suit. Even assuming that B & J's aspirations would be relevant in this context, the court disagrees. The court rejects B & J's claim that it wished to go into the business of manufacturing and selling tire charging machines. It is of the opinion that B & J purchased the rights under the patents from BCI in order to obtain the royalty payments that it hoped would flow to it from it licensees' sales of bead seating devices (hand-held or otherwise) utilizing Corless' invention. The court believes that B & J did not buy BCI's inventory of hand-held rights because it wished to enter the business of selling them itself, but because BCI wanted, as part of the overall transaction, to get out of that business. Therefore, an award of an accounting for the sales of infringing, non-licensed products could make B & J whole.

For these reasons, the court again holds that the manufacture and sale by Hennessy of kits was not *per se* a breach of the June 1, 1971 licensing agreement.

*Removal of Patent Markings as Breach*

As a result of Jenson's angry phone call of October 5, 1971, with its threat of cancellation of the license, RH was determined to scrupulously comply with the terms of the license, as Hennessy understood them. To this end, he called Hennessy's patent lawyer, who also acted as its counsel in the trial of this case, and inquired as to whether a patent marking had to be put on the Inflat-Air device. When counsel, who had also participated in the negotiation of, and was familiar with the terms of, the license, informed him that "you had better be sure you have the patent markings on that" in order to conform to the requirements of the contract, RH ordered marking notices put on the Inflat-Air devices.[43] Thus, the marking of the Inflat-Air device represented the deliberate conclusion of counsel, who had studied the patents in suit and the prior art, that the Inflat-Air devices were made "under the license". And this conclusion was shared by RH, who had negotiated for the license and who had "reexamined" it before ordering the markings put on.

No marking notice was ever put on Air-Flate structures.

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[43] This notice, which appears to have been put on every Inflat-Air structure sold or delivered by Hennessy between the time of the first delivery of Inflat-Air devices in late November or early December, 1971, and the removal of the notices in September, 1973, read as follows:

ONE OR MORE OF U.S. PATENTS 3,552,469
& OTHER PATENTS PENDING.

The notice was never amended to reflect the issuance of the '705 patent. It had been removed from the Inflat-Air structure prior to the issuance of the '871 patent.

In April, 1973, as a result of the ongoing dispute with B & J that would soon—i.e., on August 23, 1973—enter the Federal courts, counsel for Hennessy recommended to RH that these markings be removed and that no further patent markings be placed on the Inflat-Air apparatus. RH, in turn, ordered the markings removed. Nonetheless, owing to some bureaucratic foul-up, this was not accomplished until some time in September, 1973.

Hennessy's actions did not immediately come to the attention of B & J. Ultimately, however, they did. On August 13, 1974, a letter was sent to Hennessy from counsel for B & J notifying Hennessy, in conformity with section 8 of the license agreement, that B & J regarded Hennessy's failure to mark its inflation devices as a breach of the agreement. When this alleged breach was not timely cured, counsel for B & J sent Hennessy a letter dated September 16, 1974, which notified Hennessy that, in the event that B & J's 1971 termination of the agreement had been ineffective, the agreement was now terminated for failure to cure the alleged patent marking breach.[44]

In the opinion rendered upon the parties' cross-motions for summary judgment, the court declined to decide the marking/breach question, as noted above. At this time, with the full record before it, the court rules that the license agreement was effectively terminated by B & J by means of the letter from its counsel to Hennessy September 16, 1974.

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[44] Hennessy does not suggest, and the court does not find, that B & J waived its right to claim or is estopped by virture of its delay in providing the notice of breach from asserting, that Hennessy's failure to mark the accused inflate devices constituted a breach of the agreement. In this connection, the court notes that B & J regarded the contract as previously cancelled, and that Hennessy has shown no reliance on, or perception by it of, any acquiescence on the part of B & J in its failure to mark these structures.

Section 6 and 8 of the contract are relevant to the resolution of this issue. Section 6 of the license agreement provides that

> [a]ll products made, used or sold pursuant to the license herein granted shall bear the proper legal notice as to the patent markings with respect to any patents under which the same are made and licensed.

Section 8 of the contract states:

> If *any* breach or default in respect of *any* of the terms of this Agreement by either of the parties shall occur, the other of said parties shall have the right to give notice in writing specifying in detail the nature of the breach or default and if the alleged breach or default has, in fact, occurred and is not cured within thirty (30) days of the mailing of the notice, the other of said parties shall have the right to terminate this Agreement forthwith.

(emphasis added).

No parole evidence has been adduced by either party that sheds much light on the meaning of these provisions. However, the conduct of the parties throughout this dispute, from Hennessy's reaction to Jenson's angry phone call to Hennessy's failure to present any evidence at trial indicating that this is not so, suggests that both provisions were intended to mean exactly what they say: Hennessy was to put a patent marking notice of all products made or sold by it under the license, and its mistaken failure to do so would be grounds for termination, irrespective of its *bona fides* in so acting.

However, even if, under the provisions of the contract itself, Hennessy's good faith in removing the notice would have saved it from termination, the court finds that Hennessy did not remove the markings in good faith. The court does not believe that this action was taken because

Hennessy really believed its products to be non-infringing. In this connection, the court notes that, during the course of the long dispute with Jenson that preceded the filing of this lawsuit, Hennessy not only did not once allege non-infringement, but it repeatedly claimed that the accused Inflat-Air structure was being made and sold under the patent. No credible evidence has been presented to the court that would indicate that Hennessy, or its lawyers, had ceased to hold this belief when the markings were secretly removed.[45] Rather, the court holds that Hennessy removed the notices in an attempt to escape the effects of the marking estoppel doctrine in the event that a lawsuit materialized, and that this decision was made, not on the basis of a good faith belief that the Inflat-Air apparatus did not infringe the patents, but on the basis of a decision to groundlessly increase the burden that would be placed upon B & J in the event of litigation, a choice perhaps made in the hope of dissuading B & J from going to court. Of course, this means that the court finds that Hennessy had not yet arrived at the non-infringement defense it relied on at trial when these events occurred.

Hennessy's arguments against the validity of B & J's 1974 termination of the contract are easily answered. Its claim that the patent marking was first put on the Inflat-Air devices without the allegedly requisite "specific intent", if relevant, has been rejected by the court. Its next argument, that there was no need to mark because there was no infringement, has obviously met the same fate. Its suggestion that marking was optional under the license is contrary to both the mandatory language of paragraph 6 of the contract and the interpretation thereof of Hennessy and its attorney, as revealed, by, *inter alia,* their conclusion in October, 1971, that notices had to be put on products made by it under the license. Hennessy's remaining arguments—that B & J's purported termination of the contract should not be given effect because this was a minor breach, B & J suffered no damage as a result thereof, and Hennessy had previously spent much money in reliance on the contract—are sufficiently answered by observing that if Hennessy did not want B & J to have the power to terminate the contract under these circumstances, it should not have signed a contract expressly giving it such power. While forfeitures are not favored by the law, "[a] provision as to the grounds on which the license may be terminated will be enforced according to its terms". 4 Deller's Walker on Patents § 410, at 645 (2d ed. 1964).

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[45] In fact, Hennessy continued to accrue royalties on its books for their sales of Inflat-Air devices until some time in 1974.

Nor do the cases relied on by Hennessy, assuming, *arguendo,* that they are all still good law, indicate that a contrary result should be reached. For the most part these cases, like *Crane Co.* v. *Aeroquip Corp.,* 504 F.2d 1086 (7th Cir. 1974), involved attempts to obtain cancellation or rescission in the absence of a written contractual provision authorizing such a remedy. Such cases are obviously inapposite here. *Krell* v. *Boviard Supply Co.,* 83 F.2d 414 (10th Cir. 1936) is not pertinent to the resolution of this case because in that case the relevant contract

> [did] not provide that it may be canceled for any and every breach. Neither [did] it provide that it may be rescinded for a breach of any convenant contained therein, whether it be dependent or independent.

93 F.2d at 416. In *Slezak* v. *Andrews,* 21 F. Supp. 688 (D. Del. 1937), the remedy of cancellation was denied licensors because they failed to comply with the terms of the contractual provision governing their contractual right to rescission. No such failure is alleged to have occurred—or did occur—here. *Indiana Manufacturing Co.* v. *Nichols & Shepard Co.,* 190 F. 579, 585 (6th Cir. 1911), concerns the enforceability of a liquidated damage clause, not a provision allowing termination of a license. In *I. F.*

*Laucks, Inc.* v. *Balfour Guthrie & Co., Ltd.*, 35 U.S.P.Q. 206, 216 (W.D. Wash. 1937), the court refused to enforce a termination provision in a license agreement where the licensee's breach of a minimum price provision of the contract *was in good faith* and the equities otherwise inclined the court in that direction. The element of good faith and the minor nature of the breaches were also central to the refusals of courts to enforce termination clauses in the context of late payment of small amounts of royalties in *Carr* v. *Jaeger Mach. Co.*, 69 F.2d 434 (7th Cir. 1934), and *Standard Stoker Co.* v. *Brewster*, 277 F 783 (7th Cir. 1921). Finally, in *Foster House Supporter Co.* v. *Taylor*, 184 F 71 (2d Cir. 1911), the court ruled that, where the alleged breach was a result of *a nonpayment of money*, for which full compensation could be made, 184 F at 73, equity might preclude forfeiture in accordance with the terms of a contract.

In this case, Hennessy did not act in good faith in breaching the contract. The marking requirement that it violated was of sufficient importance to the parties to the contract that they provided that the breach of section 6 would allow the licensor to terminate the agreement. The court finds Hennessy's claim of reliance unpersuasive. It says it relied on the contract in making the Inflat-Air, but it now asks to be relieved, for this reason, of the known consequences of its subsequent—and continuing—refusal to acknowledge that the license applies to that device. The court not find this position equitably compelling. Finally, the court notes that the result of its finding the contract to have been effectively terminated in 1974 will not be to render Hennessy's expenses in connection with the development of its inflation devices a waste of money, as B & J has offered to grant Hennessy a license to make the same devices it was previously licensed to make, albeit at the royalty rate that every other user of Corless' patents is now paying. For these reasons, even if the court had the equitable power to nullify paragraph 8 of the license agreement, it would not use that power in this case.

Accordingly, the court finds that the license agreement between B & J and Hennessy was properly terminated by B & J by the letter from its counsel to Hennessy dated September 16, 1974. Therefore, Hennessy's manufacture and sale of the accused devices, in any form, after its receipt of that letter, constituted unlicensed infringement of the patents in suit.

## REMEDY

This court having determined that Hennessy committed actionable infringement against the patents in suit by marketing the accused devices as kits and by making and marketing the same apparatus in any form after the termination of the license agreement, it remains to consider the remedy to be allowed B & J.

### *Damages*

B & J is entitled to an accounting to determine its actual damages under 35 U.S.C. § 284.[46]

It also asks that, in accordance with that statute, its actual damages be trebled. However, in light of the fact that the court concludes that the infringement by Hennessy was not willful and that the issues regarding patent validity, license, and infringement were litigated in good faith, B & J's request for treble damages is denied.

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[46] 35 U.S.C. § 284 provides:

> Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.
>
> When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.
>
> The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

*Wahl* v. *Carrier Manufacturing Co.*, 511 F.2d 209 (7th Cir. 1975); *Union Carbide Corp.* v. *Graver Tank Mfg. Co.*, 282 F.2d 653 (7th Cir. 1960), *cert. denied*, 365 U.S. 812 (1961).

Hennessy's infringement of the patents in suit was not willful. The court finds that the question of whether the kits fall within the scope of the license grant was fairly debatable and was, in fact, litigated in good faith. The court further finds that the infringement resulting from B & J's termination of the license a year after the institution of these proceedings was not willful because, at that time, there existed fairly debatable issues of infringement (in light of the newly-conceived non-infringement/file wrapper estoppel defense) and the legal effect of B & J's purported terminations of the license, which issues were, with the exception of the question of the effectiveness of B & J's purported termination of the agreement in 1974, already being litigated in this court, and which were all ultimately litigated in good faith.

### *Attorney's Fees*

These same considerations also cause the court to conclude that this is not an "exceptional case" within the meaning of 35 U.S.C. § 285.[47] *See Faulkner* v. *Baldwin Piano & Organ Co.*, 561 F.2d 677, 685 (7th Cir. 1977), *cert. denied*, 435 U.S. 905 (1978). Therefore, B & J's petition for attorney's fees is denied.

### *Costs*

As the prevailing party, B & J is entitled to an award of costs.

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[47] 35 U.S.C. § 285 states that

> [t]he court in exceptional cases may award reasonable attorney fees to the prevailing party.

## CONCLUSION

Accordingly, the court holds that Hennessy has not proven the patents in suit invalid; that B & J has proven Hennessy to have committed unlicensed infringement of said patents by selling the accused devices as kits, and by making and selling them after its receipt of the letter from counsel for B & J dated September 16, 1974 in any form whatsoever; that B & J is entitled to determine the amount of its damages; that B & J is entitled to an accounting to determine the amount of its damages; that B & J is entitled to an award of costs; that B & J is not entitled to an award of treble damages or attorney's fees; and that Hennessy is not entitled to an award of damages, costs, or attorney's fees. Therefore, final judgment is entered in favor of B & J on the liability questions found in the Amended Complaint and on the Counterclaim. This court retains jurisdiction herein solely for the purpose of conducting an accounting by Hennessy to B & J and, after the taking of said accounting, to enter a money judgment herein for and in favor of B & J against Hennessy in accordance with said accounting.

It is so ordered.

/s/ Joel M. Plaum
United States District Judge

Dated: December 19, 1979

## UNITED STATES DISTRICT COURT, NORTHERN DISTRICT OF ILLINOIS

## EASTERN DIVISION

(Received December 24, 1979)

Name of Presiding Judge, Honorable: Joel M. Flaum

Cause No. 73 C 2174 Date December 19, 1979.

Title of Cause:

B & J Manufacturing Company v. Hennessy Industries, Inc.

Brief Statement of Motion:

ruling

Enter post trial ruling and final judgment. (DRAFT)

Flaum, J

(Docketed December 21, 1979)

IN THE

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

B & J MANUFACTURING COMPANY,
*Plaintiff,*

*vs.*

HENNESSY INDUSTRIES, INC.,
*Defendant.*

Civil Action No.
73 C 2174
(Received October 2, 1973)

## ANSWER AND COUNTERCLAIM

Now comes Hennessy Industries, Inc., Defendant to the above entitled action and answers Plaintiff's Complaint as follows:

¶1 alleges that this action arises under the Patent Laws of the United States and that the Court's jurisdiction is founded under such laws:

ANSWER: Defendant admits the allegations of this paragraph.

¶2 alleges that Plaintiff is an Illinois corporation having a principal place of business in Illinois.

ANSWER: Defendant admits the allegations of this paragraph.

¶3 alleges that Defendant is a Delaware corporation and has a place of business at Elk Grove Village, Illinois.

ANSWER: Defendant admits the allegations of this paragraph.

¶4 alleges that Plaintiff is entitled to sue for infringement of United States Letters Patent Nos. 3,522,469 and 3,675,705.

ANSWER: Defendant is without sufficient information to form a belief as to the truth of this allegation and therefore leaves Plaintiff to its proofs.

¶5 alleges that Defendant is making, using and selling apparatus within the terms of the claims of the patents in suit.

ANSWER: Defendant denies the allegations of this paragraph.

## *FIRST AFFIRMATIVE DEFENSE*

6. Further answering the Complaint, Defendant asserts that United States Letters Patent Nos. 3,522,469 and 3,675,705 are invalid and void on the following grounds:

(a) the alleged invention described and claimed in each said Letters Patent was known and used by others in this country and patented or described in printed publications in this and foreign countries before the alleged invention and discovery thereof by the applicant therefor;

(b) the alleged invention described and claimed in each of said Letters Patent was patented or described in printed publications in this and foreign countries and in public use by one Bobbie G. Kimberly and others and on sale in this country more than one year prior to the dates of filing in the United States Patent Office of the applications therefor;

(c) the differences between the subject matter sought to be patented in each of said Letters Patent and the prior art is such that the subject matter as a whole would have been obvious at the time the alleged invention thereof was made to a person having ordinary skill in the art to which the subject matter thereof pertains;

(d) before the alleged invention described and claimed in each of said Letters Patent was made, such invention was made in this country by others who have not abandoned, suppressed or concealed it;

(e) the alleged inventor of each of said Letters Patent is not the true inventor the alleged invention described and claimed therein;

(f) the alleged invention described and claimed in each of said Letters Patent was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant therefor;

(g) the claims of each of said Letters Patent are void and invalid because the patentee did not comply in all respects with the conditions and requirements of the Patent Statutes contained in the United States Code, Title 35;

(h) the specification of each of said Letters Patent and each of the claims thereof fails to comply with the requirements of Title 35, U.S.C., §112.

### *SECOND AFFIRMATIVE DEFENSE*

7. Plaintiff is estopped by virtue of the proceedings in the United States Patent Office in connection with the application of each said Letters Patent from asserting for the claim or claims of each of said Letters Patent a scope sufficiently broad to include and cover apparatus made, used and sold by Defendant which is the basis of the alleged infringement by Defendant.

8. Defendant does not manufacture, use and/or sell any product which embodies an invention described and claimed in any of said Letters Patent.

### *THIRD AFFIRMATIVE DEFENSE*

9. On or about June 1, 1971, Defendant entered into an agreement with Bruce L. Caulkins, Inc., the owner by assignment of said Letters Patent whereby Defendant was licensed to make, use or sell or have made for it tire bead seating and inflation apparatus for embodiment in tire changing stands under said Letters Patent

for which Defendant was to pay a royalty of Four Dollars ($4) for each such tire bead seating and inflating apparatus.

10. On or about August 13, 1971, Bruce L. Caulkins, Inc. notified Defendant that Bruce L. Caulkins, Inc. had assigned its interest in said license agreement to Plaintiff.

11. On or about October 8, 1971, Plaintiff wrongfully, contrary to the terms of the agreement and without just cause, notified Defendant that said license agreement was unilaterally terminated.

12. Up to and including July 21, 1972, Defendant periodically reported to Plaintiff the number of apparatus made, used or sold by it under said license agreement as required thereby and tendered the royalties then owing Plaintiff.

13. Plaintiff has refused tender of all such royalties.

14. Since about July 21, 1972, Defendant has reported to Plaintiff the apparatus made, used or sold by it under said license agreement at the intervals required by said license.

15. Based on Plaintiff's previous refusal to accept tenders of royalties and assertions by agents of Plaintiff, Defendant has not tendered royalties to Plaintiff since July 21, 1972 on the belief that Plaintiff would continue to refuse any such tenders.

16. Defendant, at all times since June 1, 1971, has fully performed all of its obligations under the covenants of said license agreement and has not breached the same giving rise to any right in Plaintiff to terminate said license agreement.

17. Defendant has been and presently stands willing to pay the royalties agreed upon in said license agreement on any apparatus made, used or sold by Defendant

which apparatus is made under and covered by any valid claims of Plaintiff's Letters Patent Nos. 3,552,469 and 3,675,705.

## *FOURTH AFFIRMATIVE DEFENSE*

18. Defendant restates the allegations of paragraphs 9, 10 and 11 hereof.

19. Said license agreement prohibits Defendants from making, having made, using or selling tire bead seating and inflating apparatus covered by Plaintiff's patents in suit and not intended for use on tire changing stands.

20. Prior to the effective date of said License agreement and presently, Defendant makes, has made for it, uses and sells tire bead seating and inflation apparatus not intended for use on tire changing stands.

21. Plaintiff's predecessor, Bruce L. Caulkins, Inc., wrongfully and illegally used the limited patent monopoly provided by Plaintiff's patents in suit to exclude Defendant from marketing tire bead seating and inflating apparatus covered by said patents and not intended for use on tire changing stands thereby wrongfully and illegally dividing markets and misusing the patents in suit.

22. Since Plaintiff's alleged termination of the license agreement, Plaintiff has, on several occasions over the approximate 20-month period prior to the filing of this cause, threatened to sue Defendant for infringement of Plaintiff's patents in suit.

23. Using the alleged termination of the license agreement and threats to sue for patent infringement, Plaintiff has wrongfully and repeatedly attempted to coerce Defendant into entering into a new license agreement which would maintain the wrongful and illegal division of markets as specified in paragraphs 19 and 20 hereof; unconscionably increase the royalty rate on the tire bead seating and inflating apparatus covered by Plaintiff's patents in suit, and wrongfully and illegally establish a first royalty rate for tire bead seating and inflating apparatus

covered by Plaintiff's patents in suit originally installed on tire changing stands and a second and higher royalty rate for such apparatus specifically intended for installation on tire changing stands not originally equipped therewith, to thereby attempt to discriminate between segments of the market for tire bead seating and inflation apparatus intended for use with tire changing stands; and illegally monopolize and eliminate competitors in the market for tire bead seating and inflation apparatus covered by Plaintiff's patents in suit intended for installation on tire changing stands not originally equipped therewith; all a misuse of Plaintiff's patents in suit.

24. Tire bead seating and inflation apparatus made by, for or used by Defendant under the license of June 1, 1971 and sold by it may have an end use of (a) being originally installed on tire changing stands prior to their being sold by Defendant, or (b) being installed by a vendee of Defendant on tire changing stands previously purchased from Defendant and not originally equipped therewith; and the structural form of such tire bead seating and inflation apparatus does not vary according to the end use to which it is to be put.

25. Since about the time the Plaintiff apparently succeeded to the interest of Bruce L. Caulkins, Inc. in the license, Plaintiff has repeatedly, wrongfully asserted that Defendant is not licensed to sell tire bead seating and inflation apparatus covered by the patents in suit per se, but is licensed only when such apparatus is assembled in tire changing stands sold by Defendant.

26. In asserting the foregoing construction of the license, Plaintiff is attempting to restrict the use, after sale by Defendant, to which licensed tire bead seating and inflation apparatus may be put to wrongfully and illegally extend the legal right to exclude conferred by the patents in suit thereby misusing said patents.

27. In asserting the foregoing construction of license, Plaintiff is attempting to preclude Defendant from selling

tire bead seating and inflation apparatus for assembly on tire changing stands originating with manufacturers other than Defendant, at least some of which, on information and belief are licensed under the patents in suit, to thereby wrongfully and illegally divide the market for such apparatus between Plaintiff, Defendant, and Plaintiff's other licensees to eliminate competition between such parties thereby misusing the patents in suit.

## COUNTERCLAIM

Defendant-Counterplaintiff, Hennessy Industries, Inc., for its Counterclaim against Plaintiff-Counterdefendant, B & J Manufacturing Company, alleges as follows:

28. Counterplaintiff, Hennessy Industries, Inc. is a Delaware corporation having a place of business at Elk Grove Village, Illinois.

29. Counterdefendant, B & J Manufacturing Company is an Illinois corporation having a place of business at Glenwood, Illinois.

30. Counterplaintiff restates the allegations of paragraphs 9-17, 22, 23 and 25-27 of this Answer.

31. As a result of Counterdefendant's wrongfully and illegal acts, Counterplaintiff has been wrongfully forced to expend, prior to the institution of this suit, attorneys fees and expenses in the amount of $3,445.00, to obtain counsel to confer with agents, officers and counsel of Counterdefendant in attempts to settle the controversy instigated by Counterdefendant's wrongful attempt to cancel the license agreement and consider and counsel on Counterdefendant's proposals of new agreements and other matters relating directly to Counterdefendant's wrongful acts and unwarranted claims.

WHEREFORE, Defendant prays:

1. That Plaintiff's Complaint be dismissed.

2. That this Court find the license agreement of June 1, 1971 to be in full force and effect.

3(a). That this Court find United States Letters Patent Nos. 3,552,469 and 3,675,705 invalid and not infringed by Defendant; or

(b). that any apparatus made, used or sold by Defendant and covered by one or more valid claims of either said Letters Patent be determined by this Court to be apparatus subject to the provisions of said license and the royalties specified therein.

4. That Plaintiff be adjudged guilty of unclean hands through the misuse of the patents in suit and that the patents in suit are unenforceable as against Defendant.

5. That Defendant's Counterclaim be granted in the amount of $3,445.00.

6. That Defendant be awarded its costs and attorneys fees in this action.

7. That this Court grant such other relief as may be just and proper.

HENNESSY INDUSTRIES, INC.
By William A. VanSanten
One of Its Attorneys

Of Counsel:
James C. Wood
Wm. A. VanSanten
Hofgren, Wegner, Allen,
Stellman & McCord
20 North Wacker Drive
Chicago, Illinois 60606

CERTIFICATE OF SERVICE

Two copies of the foregoing ANSWER AND COUNTERCLAIM were served on attorneys for Plaintiff by placing the same in the U. S. Mails, postage prepaid, this 1st day of October, 1973.

/s/ Wm. A. VanSanten
Attorney for Defendant

# IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS EASTERN DIVISION

B & J MANUFACTURING COMPANY,

Plaintiff,

v.

HENNESSY INDUSTRIES, INC.,

Defendant

Civil Action No. 73 C 2174

*Judge* McMillen

## DEFENDANT'S ANSWERS TO PLAINTIFF'S FIRST SET OF INTERROGATORIES NOS. 1-8 and 11-51

Received NOV 27, 1973

Now comes Defendant, Hennessy Industries, Inc., and answers Plaintiff's Interrogatories 1-8 and 11-51 as follows:

### INTERROGATORY NO. 1

State the full and correct name of defendant and it's state and date of incorporation.

### ANSWER TO INTERROGATORY NO. 1

Defendant's full and correct name is Hennessy Industries, Inc. Defendant is a corporation of Delaware, incorporated on December 18, 1961.

### INTERROGATORY NO. 2

Identify the principal and each other place of business of defendant.

### ANSWER TO INTERROGATORY NO. 2

Defendant's principal place of business is at 520 Lively Boulevard, Elk Grove, Illinois. Defendant also conducts business at 110 Lackawanna, West Patterson, N. J. and at 470 Nautilus Street, LaJolla, California.

## INTERROGATORY NO. 35

State all of the facts and locate and identify all of the documents known to defendant which support the allegations of paragraph 7 of defendant's Answer that plaintiff is estopped by virtue of the proceedings in the United States Patent Office in connection with the applications of each of the patents in suit from asserting for the claims of such patents a scope sufficiently broad to include apparatus made, used and sold by defendant, and particularly point out the claims (and parts of claims) to which the purported estoppels apply and reasons why such claims fail to cover:

a) each model apparatus identified in the answer to Interrogatory No. 7; and

b) each model apparatus identified in the answer to Interrogatory No. 15.

## ANSWER TO INTERROGATORY NO. 35

a) As to those models of apparatus in category A, whether installed as original equipment on tire changers or sold as a kit intended to be installed on tire changers, the facts which support the allegation of paragraph 7 of Defendant's Answers are as follows:

1. In no case do the original equipment apparatus or the kits employ an annular tube ring. Rather, the air chamber employed in such apparatus has an arc length of approximately 292° or less.

2. In each case, none injects air as "a substantially continuous ring" within the terms of all claims of Patent 3,552,469 in suit or claims 1-11 of Patent 3,675,705 in suit.

3. In each case, none injects air "peripherally around the wheel" within the terms of claims 12 and 13 of Patent 3,675,707 in suit.

The documents supporting said allegation are identified as those forming the file wrappers of the applications resulting in the patents in suit in the United States Patent Office, Washington, D.C. They include, specifically, the claims of U. S. Patent 3,452,469 as originally filed and the "Amendment Before First Action" filed in the U. S. Patent Office on January 19, 1970 and the remarks contained therein in said patent; and the claims as originally filed in U. S. Patent 3,675,705 and the terminal disclaimer in said patent filed July 29, 1971.

As to apparatus in categories B, C and D. Defendant does not intend to rely on the doctrine of "File Wrapper Estoppel".

As to apparatus in category E, the same facts and documents set forth above in connection with category A are applicable. Further, this apparatus employs but three air nozzles all of which are individually piped so that there is no annular tube or annular orifice structure as required by the apparatus claims of the patents in suit:

b) No answer required.

## IN THE UNITED STATES PATENT OFFICE

Carolyn T. Madden
2-5-70
Group No. 324

LEE M. CORLESS
Serial No. 800,679
Filed: February 19, 1969
For: TIRE BEAD SEATER

Detroit, Michigan
January 14, 1970

### AMENDMENT BEFORE FIRST ACTION

Received JAN 26

HON. COMMISSIONER OF PATENTS
Washington, D. C. 20231
Sir:

Please amend the above-identified application as follows:
IN THE CLAIMS:

Claim 1 (amended) Apparatus for inflating tubeless tires on a vehicle wheel comprising an annular tube of larger diameter than the wheel to be received over the wheel adjacent to the rim thereof, orifice means around the inner periphery of the tube for injecting *a substantially continuous ring of* air under pressure through the space between the wheel rim and the bead of a non-inflated tubeless tire mounted on the wheel, and inlet means on the tube for supplying air under pressure to the interior of the tube.

Claim 16 (amended) The method of inflating a tubeless tire on a vehicle wheel comprising the steps of mounting a non-inflated tubeless tire on a vehicle wheel, injecting air under pressure *as a substantially continuous ring* into the tire peripherally around the tire through the space between the wheel rim and the adjacent tire bead to partially inflate the tire and cause the tire bead to almost make sealing contact with the wheel rim, and then completely inflating the tire by injecting air under pressure through the conventional tire valve.

Claim 21 (amended) Apparatus for inflating tubeless tires on a vehicle wheel comprising an annular tube of larger overall diameter than the wheel to be received on the wheel, orifice means around the periphery of the tube and spaced radially outwardly from the periphery of the wheel for injecting air under pressure *as a substantially continuous ring* through the space between the wheel rim and the bead of a non-inflated tubeless tire mounted on the wheel, and inlet means on the tube for supplying air under pressure to the interior of the tube.

## REMARKS

The independent claims in the above-identified application have been amended to more clearly recite that the apparatus and method involve the use of a substantially continuous ring of air under pressure. This is believed to be adequately founded in the specification wherein the orifices, as shown in for example Figure 1, are spaced close enough together to result in such a continuous ring and in connection with, for example, Figure 5, wherein it is stated that the orifices or nozzle structures 86' must be aimed inwardly to provide a stream of air under pressure in the area of the turnbuckle, or in Figure 4 wherein means are provided for admitting air in the space between the plug 60 and the orifices so that the injection will be continuous. It is, of course, obvious that if the air were not injected in a continuous ring, air could escape as fast as it was injected and thus inflation would not be possible with the device disclosed.

The changes have been made in the claims at this time because of newly developed prior art, namely Patent No. 3,461,938, which issued on August 19, 1969. This patent illustrates a device which discloses in Figures 4 and 5 an injecting apparatus having a plurality, namely four, inlet ports for injecting air. However, this device depends upon an enclosure sealed to the tire and rim for holding the air in an enclosed space for tire inflation. Without the enclosure, the few number of injection ports illustrated would not result in inflation of the tire.

Consideration of the claims as amended in the first Office Action is therefore courteously requested.

Respectfully submitted,
WHITTEMORE, HULBERT & BELKNAP
/s/ Edward A. Craig
Phone: 1-313-962-6192
Zip Code: 48226

EAC/id

*LICENSE AGREEMENT*
between
BRUCE CAULKINS, INC.
and
HENNESSY INDUSTRIES, INC.
Effective June 1, 1971
As Executed
Work Copy

## LICENSE AGREEMENT

THIS AGREEMENT entered into this 1st day of June, 1971, by and between BRUCE CAULKINS, INC., a Michigan corporation having a place of business at 19896

Kelly Road, Harper Woods, Michigan 48225 (hereinafter referred to as LICENSOR), and HENNESSY INDUSTRIES, INC., a Delaware corporation having its principal place of business at 520 Lively Boulevard, Elk Grove Village, Illinois 60007 (hereinafter referred to as LICENSEE);

WITNESSETH:

WHEREAS, LICENSOR is the owner of the entire right, title and interest in and to United States Patent Application Serial No. ......................., filed ..........................., entitled "Tire Mounting, Bead Seating and Inflation Apparatus", which is an apparatus having bead seating and tire inflation functions incorporated into a tire mounting machine (the serial number and filing date of said Patent Application to be inserted when available from the United States Patent Office) and United States Letters Patent No. 3,552,469 and other patents and applications; and

WHEREAS, LICENSEE is interested in obtaining a non-exclusive license to manufacture, use and sell apparatus which may utilize structure covered by the claims of said issued United States Letters Patent No. 3,552,469 and/or said Patent Application and any Patent which may issue thereon, and any Patent or Patent Applications corresponding to said United States Patent Application which may be obtained by LICENSOR in countries foreign to the United States, and LICENSOR is willing to grant such license on the terms hereinafter specified;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, it is mutually agreed as follows:

## I. *GRANT*

LICENSOR hereby grants to LICENSEE a non-exclusive license on the terms and conditions hereinafter set forth to make, have made, use and sell Tire Mounting

Machines incorporating bead seating and inflation apparatus claimed in the following Patents and Patent Applications:

Patent No. 3,552,469—issued January 5, 1971
Filed: February 19, 1969
For: TIRE BEAD SEATER
By: Lee M. Corless
Assigned to: Bruce Caulkins, Inc.

*Patent Applications*

Application Serial No. 89,952
Filed: November 16, 1970
For: TIRE BEAD SEATING AND INFLATION APPARATUS
By: Lee M. Corless
Assigned to: Bruce Caulkins, Inc.
Application Serial No. ....................
Filed: ..................................................
For: TIRE MOUNTING, BEAD SEATING AND INFLATION APPARATUS
By: ..................................................
Assigned to: Bruce Caulkins, Inc.

*Foreign Patents*

France — Issued December 7, 1970
Patent No. 7005850
Germany — Issued February 20, 1970
Patent No. G 70 06 019.4

*Foreign Patent Applications*

| | Filing Date | Serial No. |
|---|---|---|
| Canada | Jan. 23, 1970 | 72,949 |
| Australia | Feb. 2, 1970 | 10908/70 |
| Austria | Feb. 19, 1970 | A 1547/70 |
| Germany | Feb. 19, 1970 | P20 07 747.8 |
| Gt. Britain | Jan. 28, 1970 | 4098/70 |
| Italy | Feb. 1, 1970 | 48486-A/70 |
| Japan | Feb. 19, 1970 | 13,889/70 |
| Sweden | Feb. 18, 1970 | 2042/70 |
| Denmark | July 27, 1970 | 3889/70 |
| Holland | Aug. 19, 1970 | 70122 49 |
| New Zealand | July 28, 1970 | 160987 |
| So. Africa | July 27, 1970 | 705,165 |
| Venezuela | July 30, 1970 | 1365-70 |
| Spain | Feb. 11, 1971 | 388,167 |

### II. *WARRANTY*

LICENSOR represents and warrants that it is the exclusive owner of the entire right, title and interest in and to said Patents and Patent Applications and the invention described therein and that LICENSOR has the unrestricted right to transfer and convey all of the rights transferred and conveyed to LICENSEE under this Agreement.

### III. *ROYALTY*

LICENSEE shall pay to LICENSOR a royalty of Four Dollars ($4.00) on each apparatus manufactured and sold hereunder (less returns). After royalties paid hereunder total One Hundred Fifty Thousand Dollars ($150,000.00), or after five (5) years from the date hereof, whichever occurs first, this license shall thereafter be free of royalty and shall continue for the life of the patent.

### IV. *STATEMENT OF EARNED ROYALTY*

Within thirty (30) days after the expiration of each calender quarter during the term of this Agreement, LI-

CENSEE shall furnish to LICENSOR a written statement showing the number of apparatus sold by LICENSEE hereunder during the preceding calendar quarter together with a report of royalties earned in accordance with Paragraph III hereof, and to accompany such report with payment of royalties due and owing for the period covered by the report.

### V. *BOOKS OF ACCOUNT*

LICENSEE agrees to keep accurate books of account as to unit sales and returns of all apparatus under this Agreement, and such books shall be open to inspection at reasonable times upon reasonable notice by LICENSOR to LICENSEE at its offices in Elk Grove Village, Illinois, or such other address as may be mutually convenient.

### VI. *PATENT MARKING*

All products made, used or sold pursuant to the license herein granted shall bear the proper legal notice as to patent markings with respect to any patents under which the same are made and licensed.

### VII. *PATENT INVALIDITY*

If any claim or claims of any of the patents licensed hereunder are declared to be invalid by a Court of last resort or a lower Court of competent jurisdiction from the decision of which no appeal shall have been taken, LICENSEE shall be relieved from further reports and payments of royalties on products with respect to such claim or claims reported to be invalid or any other claim of any of said patents which has expired, provided, however, that any royalties previously paid by LICENSEE to LICENSOR shall not be repayable from LICENSOR to LICENSEE.

### VIII. *DEFAULT*

If any breach or default in respect of any of the terms of this Agreement by either of the parties shall occur, the other of said parties shall have the right to give notice in writing specifying in detail the nature of the breach or default and if the alleged breach or default has, in fact, occurred and is not cured within thirty (30) days of the mailing of the notice, the other of said parties shall have the right to eliminate this Agreement forthwith.

## IX. *TERMINATION*

Unless sooner terminated, this Agreement shall continue for the life of said United States Letters Patent or any United States Letters Patents which shall issue from the aforesaid United States Patent Applications or the life of any patent which may issue from foreign patent applications which are led and which correspond to said aforementioned United States Letters Patent and Patent Applications.

## X. *TECHNICAL INFORMATION*

LICENSOR shall, to the extent that it is reasonably necessary for the performance of this Agreement, furnish to LICENSEE confidential information, trade secrets and know-how, such as information and specifications relating to design, engineering and manufacturing of the licensed subject matter. LICENSOR will provide technical personnel to LICENSEE to aid in the manufacture of the licensed subject matter at LICENSEE's request. LICENSEE agrees to pay the travel and living expenses of such technical personnel. The number and length of time for which said technical personnel are provided by LICENSOR shall be in accord with the reasonable requirements of the LICENSEE. Any confidential information or trade secrets shall be clearly identified in writing when furnished to LICENSEE and nothing not so identified shall be considered confidential or secret.

## XI. *IMPROVEMENTS*

LICENSOR agrees promptly to notify and disclose to LICENSEE any improvements useful in connection with the licensed subject matter relating to tire mounting, bead seating and inflation apparatus, which improvements LICENSOR may make, own, acquire or control during the term of this Agreement, whether or not patentable.

For the purposes of this Agreement, "improvements" shall be defined as tire mounting, bead seating and inflation apparatus which shall be covered by a claim or claims contained in the aforementioned Patent Applications or Patents issuing therefrom. Improvements as defined above, and any patents obtained on such improvements, shall be included in this Agreement without payment by LICENSEE of additional royalties.

## XII. *ASSIGNMENT OF LICENSE AGREEMENT*

IT IS UNDERSTOOD AND AGREED that the rights hereby conveyed by LICENSOR to LICENSEE are indivisible and personal to LICENSEE and are transferable only with the sale of LICENSEE's entire business, or with that portion of LICENSEE's business relating to manufacture of the licensed devices.

## *INFRINGEMENT OF PATENTS OF OTHERS*

LICENSOR shall reimburse LICENSEE for any damage or expense incurred by LICENSEE arising out of any adverse claim or suit alleging patent infringement against LICENSEE under a now existing United States Letters Patent for the manufacture, use and/or sale of apparatus incorporating the licensed invention in the United States (excluding any United States Letters Patent relating to the structure of the tire mounting portion of the apparatus); provided, however, that such reimbursement shall occur only in the event that such claim or suit alleging patent infringement is successfully maintained against LICENSEE in a Court of competent jurisdiction;

PROVIDED, further, that in the event of such an adverse claim or suit LICENSEE shall promptly notify LICENSOR and keep LICENSOR informed at all times of the developments of such claim or suit and offer LICENSOR informed at all times of the developments of such claim or suit and offer LICENSOR an option to participate in the defense of such claim or suit.

## XIV. *INFRINGEMENT OF LICENSED PATENT RIGHTS*

LICENSOR agrees to protect the licensed patent rights from infringement and to prosecute infringers when, in its sole judgment, such action may be reasonably necessary, proper and justified.

## XV. *INSOLVENCY OF LICENSEE*

In the event of the insolvency of LICENSEE or in the event LICENSEE shall be adjudged bankrupt, or make an assignment for the benefit of creditors, or in the event a receiver or trustee shall be appointed for the property and assets of LICENSEE, LICENSOR may forthwith, by notice to LICENSEE in writing, terminate this License Agreement and the license hereby granted.

## XVI. *UPON TERMINATION*

In the event of termination of this Agreement, for any reason whatsoever, all rights and obligations of the parties hereunder shall cease and the original rights of prosecution and defense of infringement suits shall be restored;

PROVIDED, however, that LICENSEE shall have the right to dispose of any inventory it may then have on hand and LICENSEE shall pay to LICENSOR any royalties due prior to termination of this Agreement.

## XVII. *OTHER PATENTS OF LICENSOR*

LICENSOR agrees that the license granted hereunder carries with it the right to manufacture, use and sell the present licensed subject matter with respect to the claims of other patents which LICENSOR may own or control without the payment of any additional royalties.

## XVIII. *CONFIDENTIAL INFORMATION*

LICENSEE agrees to retain in confidence all confidential information, know-how and trade secrets disclosed to it by LICENSOR. This obligation is without limitation to time and shall continue in effect even if this Agreement is terminated, excepting as such material shall become public knowledge.

## XIX. *NOTICE*

Any notice required or permitted under the terms of this Agreement or any Statute or Law requiring a giving of notice may be served by registered or certified mail, properly posted, with postage fully prepaid, and in an envelope properly addressed to the respective party at the address given above, or any change of address hereafter given by either to the other.

## XX. *INTEGRATION*

THIS INSTRUMENT contains the entire and only Agreement between the parties and it supersedes and merges all pre-existing agreements; and representation, understanding, promise or condition not expressly incorporated herein shall not be binding upon either party.

## XXI. *PROHIBITED PROVISIONS*

Any provision of this Agreement which presently or hereafter shall be prohibited by Law shall be ineffective only to the extent of such prohibition and wherever such prohibition shall be applicable and shall not invalidate or annul any other provision hereof.

IN WITNESS WHEREOF, the parties have caused this instrument to be executed as of the date and year first above written.

Bruce Caulkins, Inc.

By /s/ Bruce D. Caulkins,
Bruce D. Caulkins, President

Attest:

/s/ Lee M. Corless

Hennesssy Industries, Inc.

By /s/ R. A. Hennessy

Attest:

/s/ Illigible

IN THE UNITED STATES COURT OF APPEALS

FOR THE SEVENTH CIRCUIT

Nos. 80-1357 and 80-1423

B & J MANUFACTURING COMPANY,
an Illinois corporation,

Plaintiff-Appellee,

v.

HENNESSY INDUSTRIES, INC.,
a Delaware corporation,

Defendant-Appellant.

Appeal From The District Court, Northern District Of Illinois

JOEL M. FLAUM, *Judge*

Received in Clerk's Office
SEP 16 1981
THOMAS F. STRUBBE, *Clerk*

## MOTION FOR STAY OF MANDATE PENDING APPLICATION TO THE SUPREME COURT FOR WRIT OF CERTIORARI

Now comes Hennessy Industries, Inc., by its attorneys, and moves this Honorable Court for a stay of mandate under the provisions of Rule 41(b) of the Federal Rules of Appellate Procedure and this Circuit's Rule 17. The stay is requested pending preparation and filing of an application to the United States Supreme Court for a Writ of Certiorari in this cause.

The stay of mandate in this action is appropriate and in the interest of justice for the following reasons which are elaborated hereinafter.

I. Counsel for B & J seek to stop Hennessy's operations immediately upon the issuance of the mandate (see Attachment A). This would cause Hennessy to shut down its tire changing operation with dire consequences (see Attachment B).

II. There is a very real issue and a conflict of decisions between the Circuits on the rights and obligations of a licensee who challenges the validity of his patent based on *Lear* v. *Adkins,* 395 U.S. 653 (1969). There is probable cause to believe the petition will be granted.

III. B & J is not a competitor of Hennessy and its only benefit from this litigation will be monetary damages. It cannot benefit from an injunction.

IV. The petition to the Supreme Court for a Writ of Certiorari is not frivolous or for purposes of delay.

In accordance with this Circuit's Rule 17, Hennessy makes the following showing in support hereof:

I. If the mandate should issue at this time, it would result in an undue and unnecessary hardship should the injunction be put into effect. This is manifestly true if the Supreme Court reverses the decision that held Hennessy's 1971 license was forfeited, as Appellant believes it shall. It is also true because the decision in this action was partly premised on the fact that B & J consistently maintained that a new license is available.

Moreover, Hennessy's 1971 license contained a $4.00 royalty per unit. Now, however, B & J as licensor is demanding over $20.00 per unit and is further threatening to stop production and sale of product altogether, should Hennessy not accede to its demands. Should Hennessy's production lines be shut down, over one hundred employees would be idled (see Attachment B).

II. Application for the Writ of Certiorari will be based upon a conflict between this Circuit's decision herein and the decisions of other Circuits in harmony with each other, namely, the decisions of the Second, Sixth and Ninth Circuits. The Supreme Court will be asked to resolve the conflict between the Circuits.

The other named Circuits have freed a licensee from the enforcement of contractual obligations during litigation under the licensed patent rights. These Circuits have interpreted *Lear* v. *Adkins,* 359 U.S. 653; 23 L.Ed.

2nd. 610 (1969) as requiring public policy to take precedence over a licensor's interests in enforcing promises of contracting parties. Thus a license remains in force during the litigation in the Second, Sixth and Ninth Circuits. The present Seventh Circuit decision herein forfeited Hennessy's license on September 16, 1974. The forfeiture was premised on Hennessy's omission of the patent numbers from products manufactured during the period that Hennessy, as licensee, was challenging the validity of the patents. Hennessy's omission was to avoid marking estoppel. The decision of this Court fails to recognize Hennessy's legitimate concern with respect to the potential licensee estoppel and enforces the license contract marking provision during the litigation begun in 1973. The decision is thus in conflict with the refusal of the other Circuits to require compliance with license provisions while the licensee is litigating the licensed patents.

The Second Circuit's attitude in not enforcing contract provisions is announced in their 1977 decision in *Warner-Jenkinson* v. *Allied Chemical Corp.*, 567 F.2d 184 at 188, where the Court stated:

> "Lear established that removing restraints on commerce caused by improperly-held patents should be considered more important than enforcing promises between contracting parties. Thus, the seeming inequity of allowing a licensee to keep his license while he attacks the validity of the licensor's patent is outweighed by *the public interest in placing no impediment in the way of those in the best position to contest the validity of the underlying patent.*" (Emphasis added)

The Sixth Circuit, in 1974, announced its position and approval of the Second Circuit's position in *Atlas Chemical Industries, Inc.* v. *Moraine Products,* 509 F.2d 1, at page 6, by quoting from an earlier Second Circuit decision. On the issue of enforcing the terms and conditions of a license agreement during patent validity litigation, the Court stated:

> "The cases in the other Circuits which have reached this issue are in agreement with our interpretation. The Second Circuit has stated:
>
> > 'What Lear precisely held was that the courts may not enforce a royalty agreement with respect to an invention embodied in an American patent while the licensee was contesting its validity and could recover only when, as and if validity was established.'
>
> Painton & Co., Ltd. v. Bourns, Inc., 442 F.2d 216, 226 (1971)."

The Ninth Circuit's agreement with the Second and Sixth is contained in its 1977 decision in *St. Regis Paper Co.* v. *Royal Industries, Inc.*, 552 F.2d 309 at page 313.

Appellant believes the opinion of this Honorable Court is contrary to the direction given lower courts by the Supreme Court in *Lear* v. *Adkins*.

III. A stay of the mandate would not harm B & J. Judge Flaum specifically stated B & J's lack of competition in his footnote 42:

> "[42] B & J also argues that the losses that it has allegedly incurred as a result of Hennessy's infringement of the patents cannot be recouped by means of recovery in an infringement suit. Even assuming that B & J's aspirations would be relevant in this context, the court disagrees. The court rejects B & J's claim that it wished to go into the business of manufacturing and selling tire changing machines. It is of the opinion that B & J purchased the rights under the patents from BCI in order to obtain the royalty payments that it hoped would flow to it from its licensees' sales of bead seating devices (hand-held or otherwise) utilizing Corless' invention. The court

> believes that B & J did not buy BCI's inventory of hand-held rings because it wished to enter the business of selling them itself, but because BCI wanted, as part of the overall transaction, to get out of that business. Therefore, an award of an accounting for the sales of infringing, non-licensed products could make B & J whole."

An injunction in this case would serve no practical purpose. As was stated by the Second Circuit in *Foster v. American Machine & Foundry*, 492 F.2d 1317 (1974) at page 1324:

> "We do not find any difficulty in agreeing with Judge Palmieri that an injunction would be an inappropriate remedy in this case. An injunction to protect a patent against infringement, like any other injunction, is an equitable remedy to be determined by the circumstances. 35 U.S.C. §283. It is not intended as a club to be wielded by a patentee to enhance his negotiating stance."

IV. Hennessy has authorized its counsel to prepare and file a Petition for Certiorari. Counsel is now engaged upon the preparation of such petition and represents that Hennessy will expedite the proceedings on the petition in every way possible to avoid any unreasonable delay.

Appellant will post a bond or other security as may be required by this Honorable Court if the grant of continuance of the stay of mandate is allowed.

Wherefore, Appellant prays that the Court make and enter an appropriate order herein staying the issuance of the mandate in the above-entitled action until the further order of the Court.

Respectfully submitted for

Hennessy Industries, Inc.,
Defendant-Appellant
By /s/ James C. Wood
James C. Wood
Its Attorney
20 No. Wacker Drive
Chicago, Illinois 60606
312-346-1630

Of Counsel:
William A. VanSanten
Wegner, Stellman, McCord,
Wood & Dalton
20 No. Wacker Drive
Chicago, Illinois 60606
312-346-1630

Attachment A

(Letterhead of)

Law Offices Of
HOSIER, NIRO & DALEIDEN, LTD.
135 South La Salle Street-Suite 640
Chicago, Illinois 60603

Gerald D. Hosier
Raymond P. Niro
Norbert A. Daleiden
Thomas G. Scavone
David F. Thompson
Arthur J. Tremaine
John R. Hoffman
Timothy J. Haller
Barry W. Sufrin

William L. Niro
Louis Altman
Counsel
(312) 236-0733

September 14, 1981
(By Messenger)

Thomas H. Morsch, Esq.
Sidley & Austin
One First National Plaza
Chicago, Illinois 60603
Dear Tom:

We today received notice that Hennessy's Petition for Rehearing in the subject cause was denied by the Seventh Circuit Court of Appeals on Friday, September 11, 1981. The mandate will therefore issue as a matter of course in seven days so that the injunction will take effect on September 18, 1981. As you know, it is the policy of the Circuit Court to deny a stay during the pendency of any petition for writ of certiorari, absent an exceptional showing which most certainly cannot be made in this case.

Accordingly, we shall expect Hennessy to cease its unlicensed making, using and selling of the infringing tire bead seating and inflation apparatus as well as infringing tire changer machines incorporating such apparatus as of September 18, 1981. In particular, we shall expect that Hennessy will refrain from displaying, demonstrating or offering to sell the infringing equipment at the NTDRA trade show in Dallas, Texas on September 19-20, 1981.

In order to avoid further controversy or misunderstandings between our clients, we request your immediate assurance that Hennessy will respect the injunction and that it does not plan to show any infringing machines at the forthcoming Dallas show.

Very truly yours,

/s/ Gerald D. Hosier
Gerald D. Hosier

GDH:arv
cc: James Wood
Wayne E. Jensen

Attachment B

(Letterhead of)

SIDLEY & AUSTIN
One First National Plaza
Chicago, Illinois 60603
Telephone 312: 329-5400
Telex 25-4364

Los Angeles Office
1880 Century Park East
Los Angeles, California 90067
Telephone 213: 553-8100
Washington Office
1730 Pennsylvania Avenue N.W.
Washington, D.C. 20006
Telephone 202: 624-9000
Telex 89-463

European Office
9 Holland Park
London, W11 3th, England
Telephone 011-727-0132
Telex 21781
Founded in 1866 as
Williams & Thompson

September 16, 1981

BY MESSENGER
Gerald D. Hosier, Esq.
Hosier, Niro & Daleiden, Ltd.
135 South LaSalle Street
Chicago, Illinois 60603

Re: *B & J Mfg. Co.* v. *Hennessy*

(Received Sep 16 1981)

Dear Jerry:

I was shocked to receive your hand delivered letter of September 14, 1981 which indicates that the real intention in this litigation is to put Hennessy Industries out of business. B & J does not manufacture tire changers. B & J is not a competitor of Hennessy in the tire changer market. Thus, there can be no conceivable benefit to B & J should production at Hennessy Industries stop. In fact, B & J would lose royalty income. The only sure beneficiaries would be other tire changer manufacturers, particularly your other client FMC Corporation.

Contrary to your letter, the mandate of the Court of Appeals will not issue before Monday, September 21, 1981. Also, as you are well aware, Judge Flaum entered an order on March 11, 1980 staying his injunction. Under the circumstances, there will be no injunction in effect unless and until Judge Flaum lifts the stay.

Moreover, as you are likewise aware, Judge Flaum's rulings were based upon an express statement that B & J was willing to grant Hennessy Industries a license under the patents in suit at the same royalty rate paid by every other licensee. To date you have been demanding terms far in excess of what B & J is receiving from other industry members. The result of your present position is the dire consequences to Hennessy which Hennessy feared and expressed when you sought before Judge Flaum to supplement the Judgment with an injunction. It was that fear which you then characterized as lacking any basis in fact.

I know you are acutely aware, from your discovery in this action and in the FMC litigation before Judge Moran, that tire changers incorporating the air inflation apparatus account for considerably more than 50% of Hennessy's sales volume. To comply with your demands would effectively shut down Hennessy's production lines, idle more than one hundred production employees, and otherwise irreparably, but unnecessarily, damage Hennessy. Under all of these circumstances Hennessy simply cannot comply with your demands.

We are, of course, willing and desire to continue the pending negotiations between James Hennessy and Wayne Jensen in order to work out a license with royalty payments similar to payments being made by other members of the industry. If we cannot do so, the matter will have to be submitted to the Court for an appropriate resolution.

Sincerely,

/s/ Tom
Thomas H. Morsch

THM/jcp
cc: James C. Wood, Esq.

## CERTIFICATE OF SERVICE

Two copies of the foregoing MOTION FOR STAY OF MANDATE PENDING APPLICATION TO THE SUPREME COURT FOR WRIT OF CERTIORARI were served on attorney for Plaintiff-Appellee, Gerald D. Hosier, Esq., Hosier, Niro & Daleiden, Ltd., 135 So. LaSalle Street, Rm. 640, Chicago, Illinois 60603, by hand delivery this 16th day of September, 1981.

/s/ James C. Wood
Attorney for Defendant-Appellant,
Hennessy Industries, Inc.

# Opposition

Office-Supreme Court, U.S.
FILED
OCT 30 1981
ALEXANDER L. STEVAS
CLERK

**No. 81-740**

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IN THE

# Supreme Court of the United States

OCTOBER TERM, 1981

---

**HENNESSY INDUSTRIES, INC., a Delaware corporation,**
*Petitioner,*

v.

**B & J MANUFACTURING COMPANY,**
**an Illinois corporation,**
*Respondent.*

---

*On Petition for a Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit*

## RESPONDENT'S BRIEF IN OPPOSITION

GERALD D. HOSIER
RAYMOND P. NIRO
THOMAS G. SCAVONE
HOSIER, NIRO & DALEIDEN, LTD.
135 South La Salle Street
Chicago, Illinois 60603
(312-236-0733)

*Attorneys for Respondent.*

*Of Counsel:*

JAMES P. HUME
One IBM Plaza—Suite 4100
Chicago, Illinois 60611
(312-822-9800)

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**an Illinois corporation,**
*Respondent.*

*On Petition for a Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit*

## RESPONDENT'S BRIEF IN OPPOSITION

The respondent, B & J Manufacturing Company, respectfully requests that this Court deny the petition for writ of certiorari seeking review of the unpublished opinion of the Seventh Circuit Court of Appeals in this case (App. 3a-6a).

The questions presented do not merit the attention of this Court. More importantly, such questions are not within the jurisdiction of this Court to consider since they have no basis in the facts of this case. Petitioner received in the courts below a plenary hearing on the issues of patent validity and infringement, unfettered by any contractual impediment, as reference to the opinions of the district court and the court of appeals will readily confirm (App. 3a-6a, 12a-73a). Petitioner's license was terminated because of a "bad faith" breach of the license agreement (App. 5a, 67a), not because of any conduct arising out of its challenge to the patents in suit.

The license termination issue turned on settled principles of ordinary contract law. No federal question or public policy affecting patents is involved, nor is any conflict within or between the circuits presented by the decision in this case.

## REASONS WHY THE WRIT SHOULD BE DENIED

### I. NEITHER THE DECISIONS BELOW NOR THE RECORD RAISES THE QUESTIONS PRESENTED IN THE PETITION

Petitioner did not confront any "contractual barriers" (Petition at i) in its challenge to the validity of the patents in suit or in raising its defense of noninfringement, as it represents in its petition. The district court thoroughly considered each of the petitioner's defenses to validity of the patents in suit, including anticipation (App. 17a-23a), obviousness (App. 23a-28a), double patenting (App. 29a-35a), late claiming (App. 40a-45a) and old combination (App. 45a-48a). The district court also fully considered petitioner's noninfringement defenses on their merits (App. 48a-55a). The appeals court unanimously affirmed, holding that the "district court correctly rejected the defendant's arguments" in a "thorough and well reasoned opinion" (App. 4a). The appeals court unanimously dismissed the petition for rehearing (App. 2a).

Arguments identical to those in the petition were made to the appeals court as a basis for denying license termination.

The Seventh Circuit Court of Appeals found such arguments to lack merit and, indeed, designated its decision as an unpublished order under Circuit Rule 35. Under Circuit Rule 35, a published decision will be filed when the decision:

> (i) establishes a new, or changes an existing, rule of law;
>
> (ii) involves an issue of continuing public interest;
>
> (iii) criticizes or questions existing law; or
>
> (iv) constitutes a significant and nonduplicative contribution to legal literature.

Clearly, the issuance of an unpublished opinion is a tacit, but convincing determination by the appeals court that a decision is a poor candidate for the grant of a writ of certiorari. The fact that the Seventh Circuit Court of Appeals adhered to its unpublished decision on rehearing reinforces this conclusion, particularly when the basis for the rehearing petition was the identical argument made in the present petition.

The goal of the petition is to have this Court restore to petitioner the benefits of a license it deliberately repudiated at an early stage of this controversy. The district court applied only simple and well settled contract principles in finding that B & J rightfully terminated the license for breach (App. 67a). Moreover, the district court found that petitioner's overt acts in violation of the license were made "not on the basis of a good faith belief . . . but on the basis of a decision to groundlessly increase the burden that would be placed on B & J in the event of litigation" (App. 68a, 70a). The Seventh Circuit in expressly affirming "the district court's opinion that the defendant's patent marking violations were in bad faith" (App. 5a) held that this is not "an appropriate case to invalidate in equity the termination provisions in the parties' license" (App. 5a).

Petitioner's license was terminated because of its freely made decision to secretly remove the patent markings required by the license—markings which had been carried on the products for two years pursuant to the advice of Hennessy's own counsel that such markings were necessary to comply with the agreement (App. 65a-66a). And it was petitioner's own counsel who had included the marking provision in the draft license.

In summary, petitioner has been given a full and fair hearing on *all* of the patent invalidity and noninfringement issues it has raised in this case, and its license was found to be properly terminated—not because of its challenge to the patents' validity—but because of breach. Therefore, the purported confrontation between the public policy applicable to patents and the license termination finding that petitioner argues to this Court simply does not exist in the record of this case.

## II. THE PETITION RAISES NO FEDERAL QUESTION OR IMPORTANT ISSUE OF PUBLIC POLICY, NOR DOES ANY CONFLICT EXIST WITHIN OR BETWEEN THE CIRCUITS

Neither the district court nor the court of appeals found any federal question or public policy to be even remotely at issue on the matter of the license termination, despite petitioner's strident assertions to the contrary.

Petitioner's public policy argument based on *Lear* v. *Adkins,* 395 U.S. 653 (1969) fails to recognize the fundamental differences between this case and *Lear.* In *Lear,* a contract provision was asserted as a bar to a licensee's attempted challenge to the validity of the licensed patent. This Court held that the contract provision had to give way to the important public policy favoring ventilation of patent validity issues by those having an economic incentive to challenge patent validity, namely, patent licensees.

Here the respondent did not assert and the court did not enforce any provision of the license to raise or create an impediment to a full airing of petitioner's patent invalidity or noninfringement defenses. To the contrary, petitioner was given a complete hearing on all of these issues. Hence, no public policy question was ever presented.

Petitioner further contends that had it not removed its patent markings, it would have confronted the judicial doctrine of patent marking estoppel. But this is a hypothetical question. Petitioner elected to avoid any possible confrontation with the patent marking estoppel doctrine and the important public policy foundation on which it rests by repudiating the contract. Thus, the doctrine of patent marking estoppel was never an issue in either the district court or court of appeals proceedings. Petitioner cannot legitimately argue that this Court has jurisdiction to resolve a hypothetical question.

The remaining arguments of petitioner respecting an alleged conflict within the Seventh Circuit between this decision and the decision in *Precision Shooting Equipment Co.* v. *Allen,* 646 F.2d 313 (7th Cir. 1980) and an alleged conflict between the decisions of the several circuits are contrived. There is no conflict in fact on any issue of consequence to this controversy. The alleged conflicts were never argued to the appeals court in the petition for rehearing. Obviously, the Seventh Circuit perceives no conflict between its own decisions or it would have granted rehearing.

The petition, in attempting to argue alleged conflicts between the circuits, is confusing to the point of being incomprehensive, a sure signal that the arguments presented lack merit. No case within or without the Seventh Circuit applies a rule of law that is inconsistent with the decision in this case.

## III. CONCLUSION

For the reasons stated, the petition for rehearing should be denied.

Respectfully submitted,

---

GERALD D. HOSIER
RAYMOND P. NIRO
THOMAS G. SCAVONE
HOSIER, NIRO & DALEIDEN, LTD.
135 South La Salle Street
Chicago, Illinois 60603
(312-236-0733)

*Attorneys for Respondent.*

*Of Counsel:*

JAMES P. HUME
One IBM Plaza—Suite 4100
Chicago, Illinois 60611
(312-822-9800)

# Petitioner's Reply Brief

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No. 81-740

## In the
# Supreme Court of the United States

HENNESSY INDUSTRIES, INC.,
a Delaware corporation,

*Petitioner,*

v.

B & J MANUFACTURING COMPANY,
an Illinois corporation,

*Respondent.*

## REPLY BRIEF BY PETITIONER

JAMES C. WOOD
20 North Wacker Drive
Chicago, Illinois 60606
Telephone: 312-346-1630
*Attorney for Petitioner.*

*Of Counsel*:
WILLIAM A. VANSANTEN
WEGNER, STELLMAN, MCCORD,
WOOD & DALTON
20 North Wacker Drive
Chicago, Illinois 60606

The Scheffer Press, Inc.—(312) 263-6850

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IN THE

SUPREME COURT OF THE UNITED STATES

## No. 81-740

HENNESSY INDUSTRIES, INC.,
a Delaware corporation,

*Petitioner,*

v.

B & J MANUFACTURING COMPANY,
an Illinois corporation,

*Respondent.*

# REPLY BRIEF BY PETITIONER

To obfuscate the critical public policy questions raised by petitioner Hennessy, respondent B & J mischaracterizes the removal of the patent marking notice by petitioner as a deliberate repudiation of the License Agreement. Such mischaracterization is the erroneous setting for then arguing that the issue of license forfeiture should turn "on settled principles of ordinary contract law".

To the contrary, petitioner, acting in good faith, removed the patent notice *upon the advice of its own counsel.*[*] This action perfected petitioner's right to challenge the B & J patents without being confronted with the conflicting doctrine of patent marking estoppel.

---

[*] Plaintiff's Exhibits 8, 9, 43, 44, and 45.

This action was fully consistent with the Seventh Circuit case law at the time, but in spite of the mandate of this Court's holding in *Lear* v. *Adkins*, 395 U.S. 653 (1969), namely, that public policy protects the licensee during the challenge, the lower courts held that petitioner had forfeited its license. Confronted with this consequence, licensees in the Seventh Circuit are now effectively denied the protection of *Lear*, and the public policy fostered by *Lear* is frustrated.

Respondent's position that the alleged conflicts, including the conflicts within the Seventh Circuit itself, were never argued to the Appeals Court in the Petition for Rehearing is incorrect. That Petition, *inter alia*, focuses on that very issue, *e.g.*:

> "Hennessy respectfully requests the Court to reconsider its affirmance of license forfeiture, since this panel by its decision applies the 'renunciation' rule rejected by another panel of this Court in *Precision Shooting Equipment Co.* v. *Allen*, 210 USPQ 184-191, decided April 7, 1981." (Petition for Rehearing, page 1).

Moreover, the Petition for Rehearing pointed out that the Seventh Circuit's application of the "renunciation" rule in this licensor-licensee dispute inherently conflicts with the goal ". . . in *Lear* . . . to 'unmuzzle' licensees. . .", as interpreted by the Second, Sixth and Ninth Circuits respectively in *Warner-Jenkinson Co.* v. *Allied Chemical Corp.*, 567 F.2d 184 (1977), *Atlas Chemical Industries, Inc.* v. *Moraine Products*, 509 F.2d 1 (1974) and *St. Regis Paper Co.* v. *Royal Industries*, 552 F.2d 309 (1977). (Petition for Rehearing, page 6)

Respondent suggests that the removal of the patent marking notice was secret, and thus somehow surreptitious. To the contrary, the act of removal was inherently public. The moment the first unit without the patent marking notice was shipped, the removal became a matter of public information. The fact that such public act was done upon the advise of counsel vitiates any suggestion of "bad faith".

Petitioner's good faith is otherwise established. In the words of the District Court:

> ". . . the court concludes that the infringement by Hennessy was not willful and that the issues regarding patent validity, license, and infringement were litigated in good faith. . ." (App. 71a)

Accordingly, certiorari should issue to establish the preeminence of this Court's proclamation of public policy over contract law enforcement of licenses during a licensee challenge to the validity of licensed patents. Marking-estoppel should be eliminated as a barrier and economic impediment to licensee challenge to licensed patents which are believed invalid.

Respectfully submitted,

James C. Wood
20 North Wacker Drive
Chicago, Illinois 60606
Telephone: 312-346-1630
*Attorney for Petitioner.*

*Of Counsel*:
William A. VanSanten
Wegner, Stellman, McCord,
Wood & Dalton
20 North Wacker Drive
Chicago, Illinois 60606